

NATIONAL ASSOCIATION OF CHIEFS OF POLICE, INC.

Financial Statements

September 30, 2022

Robbins and Moroney, P.A.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
National Association of Chiefs of Police, Inc.

Opinion

We have audited the accompanying financial statements of National Association of Chiefs of Police, Inc. (a non-profit corporation), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Association of Chiefs of Police, Inc. as of September 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of National Association of Chiefs of Police, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 National Association of Chiefs of Police, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT (continued)

Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of National Association of Chiefs of Police, Inc.'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 National Association of Chiefs of Police, Inc.'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.

ROBBINS AND MORONEY, P.A.
Certified Public Accountants

Robbins and Moroney, P.A.

Fort Lauderdale, Florida
December 2, 2022

NATIONAL ASSOCIATION OF CHIEFS OF POLICE, INC.

Statement of Financial Position
September 30, 2022

Assets

Current Assets

Cash and Cash Equivalents	\$ 112,708
Accounts Receivable	13,809
Inventory	21,724
Prepaid Expenses	23,314
Total Current Assets	<u>171,555</u>

Non-current Assets

Property and Equipment	<u>4,471,668</u>
Total Assets	<u><u>\$ 4,643,223</u></u>

Liabilities and Net Assets

Current Liabilities

Accounts Payable and Accrued Expenses	\$ 207,147
Unearned Membership Dues	19,975
Deferred Revenue	48,500
Note Payable	13,159
Due to Affiliate	10,033
Total Current Liabilities	<u>298,814</u>

Long Term Liabilities

Note Payable	<u>307,195</u>
Total Long Term Liabilities	<u>307,195</u>
Total Liabilities	<u>606,009</u>

Net Assets

Without Donor Restrictions	<u>4,037,214</u>
Total Net Assets	<u>4,037,214</u>
Total Liabilities and Net Assets	<u><u>\$ 4,643,223</u></u>

The accompanying notes are an integral part of these financial statements.

NATIONAL ASSOCIATION OF CHIEFS OF POLICE, INC.

Statement of Activities
For the Year Ended September 30, 2022

Net Assets Without Donor Restrictions

Public Support and Revenues

Contributions	\$ 1,791,766
Membership Dues	108,706
Museum Revenues	386,940
Less: Cost of Sales	(96,548)
Investment Income	(621)
Rental Income	109,800
Total Public Support and Revenues	2,300,043

Expenses

Program Services	1,261,370
General and Administrative	333,319
Fundraising	1,175,419
Total Expenses	2,770,108

Change in Net Assets (470,065)

Net Assets, Beginning of Year 4,507,279

Net Assets, End of Year \$ 4,037,214

The accompanying notes are an integral part of these financial statements.

NATIONAL ASSOCIATION OF CHIEFS OF POLICE, INC.

Statement of Cash Flows
For the Year Ended September 30, 2022

Cash Flows from Operating Activities

Change in Net Assets	\$ (470,065)
Adjustments to Reconcile Change in Net Assets to	
Net Cash from Operating Activities:	
Depreciation	185,914
Realized and Unrealized Loss on Investments	5,533
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(13,809)
Decrease in Inventory	930
Decrease in Prepaid Expenses	36,260
Increase in Accounts Payable and Accrued Expenses	111,281
Decrease in Due to Affiliate	(46,972)
Increase in Unearned Membership Dues	2,813
Net Cash Flows from Operating Activities	(188,115)

Cash Flows from Investing Activities

Proceeds from Sale of Investments	207,071
Acquisition of Property and Equipment	(19,443)
Purchases of Investments	(13,475)
Net Cash Flows from Investing Activities	174,153

Cash Flows from Financing Activities

Payments on Note Payable	(12,456)
Net Cash Flows from Financing Activities	(12,456)

Net Change in Cash and Cash Equivalents (26,418)

Cash and Cash Equivalents, Beginning of Year 139,126

Cash and Cash Equivalents, End of Year \$ 112,708

Supplemental Disclosure of Cash Flow Information

Interest Paid for the Year \$ 22,764

The accompanying notes are an integral part of these financial statements.

NATIONAL ASSOCIATION OF CHIEFS OF POLICE, INC.

Statement of Functional Expenses For the Year Ended September 30, 2022

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Professional Fundraising Fees	\$ 26,053	\$ 2,084	\$ 712,118	\$ 740,255
Payroll and Related Expenses	475,956	175,839	79,221	731,016
Postage and Mailing	54,619	4,840	154,512	213,971
Printing	56,805	4,792	156,863	218,460
Depreciation	158,194	17,364	10,356	185,914
Repairs and Maintenance	140,941	12,064	7,194	160,199
Mailing List Rental	14,555	1,164	42,500	58,219
Utilities	81,154	8,908	5,312	95,374
Miscellaneous	60,880	43,096	629	104,605
Insurance	43,517	4,784	2,853	51,154
Canine Grants	37,124			37,124
Community Outreach	6,875		765	7,640
Advertising		36,872		36,872
Publications	43,366			43,366
Scholarships	23,390			23,390
Legal and Accounting		14,251		14,251
Police Special Events	2,597			2,597
Office	5,617	3,021	275	8,913
Awards and Gifts	3,557			3,557
Telephone	740	1,728		2,468
Interest	22,764			22,764
Newsletter	890	71	2,599	3,560
Dues and Subscriptions	1,776	2,441	222	4,439
Total	<u>\$ 1,261,370</u>	<u>\$ 333,319</u>	<u>\$ 1,175,419</u>	<u>\$ 2,770,108</u>

The accompanying notes are an integral part of these financial statements.

NATIONAL ASSOCIATION OF CHIEFS OF POLICE, INC.

Notes to Financial Statements

September 30, 2022

1. ORGANIZATION AND OPERATIONS

The National Association of Chiefs of Police, Inc. (the "Association") is a not-for-profit organization incorporated in Florida in May 1967. The Association was organized for educational and charitable activities for law enforcement officers in command ranks and supervisory agents of federal law enforcement agencies. Its current programs include:

Education: The Association provides ongoing publications to members and law enforcement agencies nationwide. These publications report crime problems and solutions and provide educational information regarding training, safety and crime prevention.

The Association provides valuable safety information and crime related tips to over 2.3 million people per year. The Association also provides insightful information to law enforcement departments through its annual Chief Survey which has been ongoing for twenty-five years.

The American Police Hall of Fame and Museum: The Association operates the American Police Hall of Fame and Museum, (the "Museum"), located in Titusville, Florida. The Museum commemorates officers killed in the line-of-duty by inscribing their names in the memorial section of the Museum and maintains interactive exhibits designed to educate the general public and school and camp groups. The Museum maintains the largest collection of police artifacts in the United States.

Awards Program: The Association provides numerous awards for law enforcement officers such as silver-star for bravery and purple-heart for line-of-duty injury. This program provides smaller police agencies with the opportunity to recognize officers and community citizens. The awards program has been successfully utilized for more than forty years.

Disabled Police Officers Program: The Association provides assistance and support to law enforcement officers who have been disabled or injured in the line of duty. Charitable and educational support also includes the sons and daughters of these heroes.

Shooting Center: The Association operates a full-service indoor gun range, the Shooting Center. The Shooting Center is open to law enforcement, corrections, security and military personnel and the general public and is used for teaching firearms safety, self-defense, protection, training, competitions, recreation and practice. The Shooting Center hosts training and qualifying for local police departments. Many private security firms and training organizations use the range for firearms and self-defense training and for armed security officer qualifying. Firearms, ammunition, and personal protection products are also available for purchase at the Pro Shop where people can purchase these products with confidence and assurance that the process is performed professionally and in compliance with federal, state, and local regulations.

Canine Placement Program: For police departments that are under-funded or lack a police canine program, the Association assists selected departments with fundraising in their local area and provides a matching gift for money raised on a dollar-for-dollar basis up to \$5,000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The Association's financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Date of Management's Review: In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through December 2, 2022, the date that the financial statements were available to be issued.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Association considers interest-bearing cash accounts with an original maturity of three months or less to be cash equivalents.

Inventory: Pro Shop inventories are stated at the lower of cost or market on a first-in, first-out basis.

Property and Equipment: Purchased property and equipment is stated at cost, and donated property and equipment is recorded at fair market value on the date of the gift. Depreciation is computed on the straight-line basis over the expected useful lives of the assets. Maintenance expenses are charged to expense as incurred.

Contract Revenues: The Association recognizes contract revenue as follows:

- Membership dues – are recognized as revenue over the term of the membership period. Membership dues received in advance of the period to which they relate are deferred.
- Museum Revenue – at the time the admission occurs, services are provided or merchandise is sold.
- Rental Income – in the period the rental occurs.

Advertising: The Association follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was \$36,872 for the year ended September 30, 2022.

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and detailed in the statement of functional expenses. Certain costs have been allocated among the programs and supporting services benefited.

Income Taxes: As a non-profit corporation, qualified under Section 501(c)(3) of the Internal Revenue Code, the Association is exempt from corporate income taxation on income related to its exempt function. Therefore, no provision for income taxes has been made in the accompanying financial statements.

The Association has not incurred any interest or penalties on its income tax returns.

The Association's tax returns are subject to possible examination by the taxing authorities. For Federal income tax purposes, the tax returns remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

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

Fair Value of Financial Instruments: Cash equivalents, accounts receivable, prepaid expenses, accounts payable and accrued expenses, unearned membership dues and deferred revenue are reflected in the financial statements at cost, which approximates fair value because of their short-term nature.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets: Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

3. LIQUIDITY AND RESERVES

The Association has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The following table reflects the Association's financial assets as of September 30, 2022.

Cash and Cash Equivalents	\$ 112,708
Accounts Receivable	<u>13,809</u>
Total Financial Assets at September 30, 2022 Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 126,517</u>

4. INVESTMENTS

Investment income for the year ended September 30, 2022 is comprised of the following:

Dividends and Interest	\$ 6,004
Realized and Unrealized Loss	(5,533)
Fees	(1,092)
	<u>\$ (621)</u>

5. PROPERTY AND EQUIPMENT

At September 30, 2022, property and equipment consisted of:

Land	\$ 1,118,242
Building and Improvements	6,321,513
Museum Collections and Exhibits	573,789
Office Furniture, Vehicle and Equipment	<u>192,248</u>
	8,205,792
Less: Accumulated Depreciation	<u>(3,734,124)</u>
	<u>\$ 4,471,668</u>

NATIONAL ASSOCIATION OF CHIEFS OF POLICE, INC.
Notes to Financial Statements
September 30, 2022

6. NOTE PAYABLE

At September 30, 2022 note payable consisted of:

Note payable to a finance company, with fixed interest rate of 5.5% requiring monthly principle and interest payments based on a twenty year amortization schedule with a \$284,894 balloon payment maturing June 29, 2025. The note payable is secured by real estate with a cost of \$460,782

\$ 320,354

Less Current Portion

(13,159)

Non-Current Portion

\$ 307,195

The following is a summary of future minimum principal payments for the years ending September 30:

2023

\$ 13,159

2024

13,901

2025

293,294

\$ 320,354

7. RELATED PARTY TRANSACTIONS

The Association is related to several other non-profit organizations through common members on their Boards of Directors. These organizations include American Federation of Police and Concerned Citizens, Inc. (AFPCC), The American Police Hall of Fame & Museum, Inc. (APHF), Florida Crime Prevention Commission, Inc. (FCPC), Venerable Order of Michael Archangel, Inc. (VOMA), and American Police Academy, Inc. (APA).

On March 22, 2004, the Association entered into an agreement with AFPCC to provide AFPCC with management services and administrative office space. This agreement shall automatically extend for successive one-year terms until canceled by the Association or AFPCC. The Association received \$682,750 (\$493,750 applied to reduce payroll and related expenses, \$108,000 recorded as rental income and \$81,000 recorded as a donation) during the year ended September 30, 2022 related to this agreement.

During the year ended September 30, 2022, the Association paid APA \$164,342 for gun range staffing.

At September 30, 2022, the Association owed APHF \$10,033 and is reported as due to affiliate in the statement of financial position.

8. ALLOCATION OF JOINT COSTS

The Association incurred joint costs of \$583,792 for informational materials and activities that included fundraising appeals. These costs were allocated as follows:

Program Services

\$ 145,948

General and Administrative

11,676

Fundraising

426,168

\$ 583,792

9. CONCENTRATIONS OF CREDIT RISK

The Association maintains checking and money market accounts, which, at times, may exceed insured limits. At September 30, 2022, cash balances in financial institutions did not exceed insured limits. The Association has not experienced any losses from maintaining checking and money market accounts in excess of insured limits. Management believes that it is not exposed to any significant credit risk on its cash accounts.

10. PENSION PLAN

The Association provides a 401(k) pension plan for eligible employees. The plan provides for employer contributions in an amount equal to the sum of 100% of employee contributions which do not exceed 3% of their compensation. Pension expense for the year ended September 30, 2022 was \$21,391.