

**AMERICAN FEDERATION OF POLICE
AND CONCERNED CITIZENS, INC.**

Financial Statements

June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
American Federation of Police and Concerned Citizens, Inc.

Opinion

We have audited the accompanying financial statements of American Federation of Police and Concerned Citizens, Inc., (a nonprofit organization), which comprise the statement of financial position as June 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 American Federation of Police and Concerned Citizens, Inc. as of June 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 American Federation of Police and Concerned Citizens, 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 American Federation of Police and Concerned Citizens, 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 American Federation of Police and Concerned Citizens, 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 American Federation of Police and Concerned Citizens, 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
August 19, 2022,

**AMERICAN FEDERATION OF POLICE
AND CONCERNED CITIZENS, INC.**

Statement of Financial Position
June 30, 2022

Assets

Current Assets

Cash and Cash Equivalents	\$ 164,370
Investments	68,218
Other Receivables	42,297
Prepaid Expenses	118,550
Total Current Assets	<u>393,435</u>

Non-current Assets

Property and Equipment	4,112
Total Non-current Assets	<u>4,112</u>

Total Assets	<u><u>\$ 397,547</u></u>
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Liabilities and Net Assets

Current Liabilities

Accounts Payable and Accrued Expenses	\$ 409,541
Deferred Membership Dues	2,123
Settlement Payable	60,000
Total Current Liabilities	<u>471,664</u>

Long Term Liabilities

Settlement Payable	98,637
Total Long Term Liabilities	<u>98,637</u>

Total Liabilities	<u>570,301</u>
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Net Assets

Without Donor Restrictions (Deficit)	(179,004)
With Donor Restrictions	6,250
Total Net Assets (Deficit)	<u>(172,754)</u>

Total Liabilities and Net Assets	<u><u>\$ 397,547</u></u>
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The accompanying notes are an integral part of these financial statements.

**AMERICAN FEDERATION OF POLICE
AND CONCERNED CITIZENS, INC.**

Statement of Activities
For the Year Ended June 30, 2022

Net Assets Without Donor Restrictions

Public Support and Revenues

Contributions	\$ 3,363,682
Membership Dues	5,135
Merchandise Sales	429
Other	24,047
Investment Income	(6,378)
Net Assets Released from Restrictions	15,000
Total Public Support and Revenues	<u>3,401,915</u>

Expenses

Program Services	1,513,832
General and Administrative	272,408
Fundraising	1,946,402
Total Expenses	<u>3,732,642</u>

Change in Net Assets Without Donor Restrictions	<u>(330,727)</u>
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Net Assets With Donor Restrictions

Contributions	20,000
Net Assets Released from Restrictions	<u>(15,000)</u>

Change in Net Assets With Donor Restrictions	<u>5,000</u>
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Change in Net Assets	(325,727)
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Net Assets, Beginning of Year	<u>152,973</u>
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Net Assets, End of Year	<u><u>\$ (172,754)</u></u>
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The accompanying notes are an integral part of these financial statements.

**AMERICAN FEDERATION OF POLICE
AND CONCERNED CITIZENS, INC.**

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

Cash Flows from Operating Activities

Change in Net Assets	\$ (325,727)
Adjustments to Reconcile Change in Net Assets to	
Net Cash from Operating Activities:	
Depreciation	1,987
Net Realized and Unrealized Loss	10,657
Change in Assets and Liabilities	
Increase in Other Receivables	(25,926)
Decrease in Prepaid Expenses	40,487
Increase in Accounts Payable and Accrued Expenses	225,935
Decrease in Deferred Membership Dues	(215)
Decrease in Settlement Payable	(60,000)
Net Cash Flows from Operating Activities	<u>(132,802)</u>

Cash Flows from Investing Activities

Sale of Investments	87,338
Purchase of Investments	(45,796)
Net Cash Flows from Investing Activities	<u>41,542</u>

Net Change in Cash and Cash Equivalents (91,260)

Cash and Cash Equivalents, Beginning of Year 255,630

Cash and Cash Equivalents, End of Year \$ 164,370

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

**AMERICAN FEDERATION OF POLICE
AND CONCERNED CITIZENS, INC.**

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

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Postage and Mailing	\$ 229,596	\$ 19,958	\$ 521,784	\$ 771,338
Printing	174,967	16,275	524,021	715,263
Management Fees	378,882	137,826	141,441	658,149
Professional Fundraising Fees	61,048	4,884	543,079	609,011
Mailing List Rental	66,987	5,137	188,701	260,825
Newsletter	222,212			222,212
Special Police Events	107,618			107,618
Office	16,399	50,228	12,445	79,072
Awards and Gifts	71,808			71,808
Miscellaneous	39,703	13,435		53,138
Family Emergency Assistance	51,375			51,375
Police Family Scholarships	41,250			41,250
Repairs and Maintenance	21,243	4,247	4,975	30,465
Telephone/ Website	8,248	4,704	6,700	19,652
Grief Counseling	17,125			17,125
Legal and Accounting		12,307		12,307
Employee Benefits	4,576	2,612	2,859	10,047
Depreciation	795	795	397	1,987
Total Functional Expenses	<u>\$ 1,513,832</u>	<u>\$ 272,408</u>	<u>\$ 1,946,402</u>	<u>\$ 3,732,642</u>

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

AMERICAN FEDERATION OF POLICE AND CONCERNED CITIZENS, INC.

Notes to Financial Statements

June 30, 2022

1. ORGANIZATION AND OPERATIONS

The American Federation of Police and Concerned Citizens, Inc. (the "Organization") is a District of Columbia not-for-profit corporation incorporated in July 1978. The mission of the Organization is to support and promote the law enforcement profession. The mission is carried out through a multi-faceted program service effort that assists family members and children of law enforcement officers in the United States slain in the line of duty. The program service effort involves programs that provide direct financial assistance, support networking and compassion. The programs include direct emergency financial assistance each time an officer is killed in the line of duty, grief counseling grants, educational scholarships, summer camp funding, holiday and birthday gifts for survivors under 18 years of age, and Mother's Day and Father's Day gifts to surviving parents and spouses. The Organization also provides an annual memorial service and meeting of family survivors during Police Week each year and a program that provides flowers to departments and families that suffered line of duty deaths on the first anniversary of each respective slain officer's death. These programs are provided without cost to the family survivors and departments who suffered the tragic loss.

The Organization assists in the perpetuation of the American Police Hall of Fame and Museum, whose purpose is to honor officers killed in the line of duty and to educate the public with an interactive museum that exhibits law enforcement artifacts. The Organization educates the general public about Peace Officers Week and Memorial Day (May 15th annually) and promotes Peace Officers Week activities.

The Organization also sponsors meetings, seminars and conferences, all as needed, and publishes a quarterly magazine that educates the law enforcement community and citizens regarding issues relevant to law enforcement and survivor support.

The Organization's revenues are derived primarily from contributions from the general public and dues and other income obtained from the Organization's membership. Contributions are solicited in a combined program that includes an educational message and a call to action by direct mail and telemarketing efforts by the Organization's own staff and by professional fundraising organizations.

2. OPERATING CASH FLOW

As shown in the accompanying financial statements, the Organization has a net assets without restrictions deficit of \$179,004 at June 30, 2022. In addition, current liabilities exceed current assets by \$78,229 at June 30, 2022 and the Organization reported a change in net assets of a negative \$325,727 for the year then ended. These factors have raised substantial doubt about the Organization's ability to continue as a going concern.

Management has evaluated these conditions and the Organization's ability to meet its obligations as they become due within one year after the date that these financial statements are issued. Accordingly, management has implemented cost control measures to reduce operating expenditures and seek more favorable payment terms with key vendors. Management has also reevaluated its marketing and solicitation plans to access previously untapped sources of revenue to include securing grants and seeking major donors willing to support the Organization's mission.

As mentioned in Note 8 to the financial statements, the Organization is related to several other non-profit organizations through common members on their Board of Directors. Management believes that certain of these organizations have the capacity to provide funding to the Organization to meet cash flow needs, if necessary.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting. Using this method, revenues are recognized when earned and expenses are recognized when incurred.

Date of Management's Review: In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 19, 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 Organization considers interest-bearing cash accounts with an original maturity of three months or less to be cash equivalents.

Investments: Investments are stated at fair value. Fair value is defined as 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.

Property and Equipment: Property and equipment are stated at cost. Depreciation is computed on the straight-line basis over the expected useful lives of the assets. Maintenance expenses are charged to expense as incurred.

Membership Dues: Membership dues received in advance are deferred and recognized over the term of the membership which is generally one year.

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: The Organization has been granted tax-exempt status by the Internal Revenue Service under Code Section 501(c)(3). The Organization does pay tax on any unrelated business income. For the year ended June 30, 2022, there was no tax liability on unrelated business income and, accordingly, no provision for income taxes has been included in the accompanying financial statements.

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

The Organization'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, other receivables, prepaid expenses, accounts payable, accrued expenses, and deferred membership dues are reflected in the financial statements at cost which approximates fair value because of their short-term nature.

3. **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.

4. **LIQUIDITY AND RESERVES**

The Organization 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 Organization's financial assets as of June 30, 2022, reduced by amounts not available for general expenditures within one year.

Cash and Cash Equivalents	\$ 164,370
Investments	68,218
Other Receivable	<u>42,297</u>
Total Financial Assets at June 30, 2022	<u>274,885</u>
Less Amounts Not Available to be Used Within One Year:	
Net Assets With Donor Restrictions	6,250
Less Net Assets With Purpose Restrictions to be Met in Less Than One Year	<u>(6,250)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 274,885</u>

5. **INVESTMENTS**

At June 30, 2022, investments were comprised of \$68,218 of mutual funds. For the year ended June 30, 2022, investment return is summarized as follows:

Interest and Dividends	\$ 5,500
Realized Gain on Investments	7,367
Unrealized Loss on Investments	(18,024)
Custodial Fees	<u>(1,221)</u>
	<u>\$ (6,378)</u>

AMERICAN FEDERATION OF POLICE AND CONCERNED CITIZENS, INC.
Notes to Financial Statements
June 30, 2022

6. PROPERTY AND EQUIPMENT

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

Computer Equipment	\$ 26,373
Office Furniture and Equipment	80,697
	<u>107,070</u>
Less: Accumulated Depreciation	(102,958)
	<u>\$ 4,112</u>

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purpose:

Scholarships	<u>\$ 6,250</u>
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Net assets were released from the donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by the donor as follows:

Program Services	<u>\$ 15,000</u>
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8. RELATED PARTY TRANSACTIONS

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

On March 22, 2004, the Organization entered into an agreement with NACOP for the use of employees and administrative office space. The original term of the agreement was from May 1, 2004 to April 30, 2005. The agreement has automatically extended for successive one-year terms, and will continue to do so until either party gives a written notice of cancellation. The Organization paid NACOP \$658,149 during the year ended June 30, 2022.

9. ALLOCATION OF JOINT COSTS

The Organization incurred joint costs of \$2,260,264 for informational materials and activities that included fundraising appeals.

These costs were allocated as follows:

Program Services	\$ 457,945
General and Administrative	36,980
Fundraising	<u>1,765,339</u>
	<u>\$ 2,260,264</u>

10. COMMITMENTS AND CONTINGENCIES

Concentrations of Credit and Investment Risks: The Organization maintains checking and money market accounts, which, at times, may exceed insured limits. At June 30, 2022, the Organization had deposits in financial institutions, which exceeded the depositor's insurance provided by the applicable guarantee agency by approximately \$75,000. The Organization has not experienced any losses from maintaining accounts in excess of insured limits. Management believes that it is not exposed to any significant credit risk on its cash accounts.

AMERICAN FEDERATION OF POLICE AND CONCERNED CITIZENS, INC.

Notes to Financial Statements

June 30, 2022

10. COMMITMENTS AND CONTINGENCIES (continued)

At June 30, 2022, the Organization had approximately \$68,218 invested with a major financial institution. Mutual funds comprised these investments. Although the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Organization. Due to the diversity and composition of its investments, management feels it is not exposed to any significant credit risk on these accounts.

11. SETTLEMENT PAYABLE

In October 2018, the State of Minnesota filed a civil lawsuit against the Organization challenging representations that were made in its fundraising appeals and accounting for joint cost allocations. On December 16, 2019, the Organization and the State of Minnesota entered into a consent judgment to resolve the matters brought by the State. The consent judgment provided for a monetary payment and restricts the Organization's ability to conduct business in the State of Minnesota. In entering the consent agreement, the Organization neither admitted or denied the allegations in the complaint.

The monetary payment agreed by the Organization requires a total payment of \$298,637 to be paid over a period ending September 30, 2024. At June 30, 2022, the Organization owes the State of Minnesota \$158,637 to be paid as follows:

Year ending June 30,	2023	\$	60,000
	2024		60,000
	2025		38,637
		\$	<u>158,637</u>

12. FAIR VALUE MEASUREMENTS

Accounting Standards Codification 820 ("ASC 820"), Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

AMERICAN FEDERATION OF POLICE AND CONCERNED CITIZENS, INC.

Notes to Financial Statements

June 30, 2022

12. FAIR VALUE MEASUREMENTS (continued)

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis:

Mutual Funds: Valued at the closing net value of the shares held as reported on the active market on which the funds are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2022:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds	\$ 68,218	\$ 68,218	\$	\$
Total Assets at Fair Value	<u>\$ 68,218</u>	<u>\$ 68,218</u>	<u>\$</u>	<u>\$</u>

13. LEASE

The Organization leases office equipment under a sixty-three month lease agreement expiring in September 2026. Rent expense for the year ended June 30, 2022 was \$13,799.

The future minimum lease payments existing at June 30, 2022 are as follows:

Year ended June 30,	2023	\$ 13,799
	2024	13,799
	2025	13,799
	2026	13,799
	2027	3,450
		<u>\$ 58,646</u>