



PragerMetis

**United States Deputy Sheriffs’
Association, Inc.
Financial Statements
December 31, 2019**

United States Deputy Sheriffs' Association, Inc.
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December 31, 2019

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Independent Auditor's Report

To the Board of Directors of
United States Deputy Sheriffs' Association, Inc.

Prager Metis CPAs, LLC

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We have audited the accompanying financial statements of United States Deputy Sheriffs' Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, 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.

Auditor's 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.





We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United States Deputy Sheriffs' Association, Inc. as of December 31, 2019, 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.

Prager Metis CPAs, LLC

Prager Metis CPAs, LLC
McLean, Virginia
August 18, 2020

United States Deputy Sheriffs' Association, Inc.
Statement of Financial Position
December 31, 2019

Assets

Current assets

Cash	\$ 891,451
Investments	595,972
Prepaid expenses	30,321
Total current assets	<u>1,517,744</u>

Equipment, net of accumulated depreciation of \$4,234	9,569
Security deposits	<u>3,750</u>

Total assets	<u><u>\$ 1,531,063</u></u>
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Liabilities and net assets

Liabilities

Current liabilities

Accounts payable	\$ 358,221
Accrued expenses	<u>57,818</u>

Total liabilities (all current)	416,039
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Net assets

Without donor restrictions	<u>1,115,024</u>
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Total liabilities and net assets	<u><u>\$ 1,531,063</u></u>
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The accompanying notes are an integral part of these financial statements.

United States Deputy Sheriffs' Association, Inc.
Statement of Activities
Year Ended December 31, 2019

Revenue and support	
Contributions	\$ 14,324,631
Unrealized gains on investments	45,783
Other investment income	22,922
	<hr/>
Total revenue and support	14,393,336
Expenses	
Program services	
Grants for equipment	388,002
Education and training	311,533
Officer benefits and awareness	3,204,840
Scholarships	123,566
Total program services	<hr/> 4,027,941
Supporting services	
Fundraising	8,698,842
Management and general	1,131,666
Total supporting services	<hr/> 9,830,508
Total expenses	13,858,449
Change in net assets	534,887
Net assets, beginning, as restated	<hr/> 580,137
Net assets, ending	<u><u>\$ 1,115,024</u></u>

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

United States Deputy Sheriffs' Association, Inc.
Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services				Supporting Services		Total
	Grants for Equipment	Education and Training	Officer Benefits and Awareness	Scholarships	Fundraising	Management and General	
Equipment	\$ 299,348	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 299,348
End of watch benefit	-	-	118,000	-	-	-	118,000
Scholarships	-	-	-	50,000	-	-	50,000
Training	-	76,940	-	-	-	-	76,940
Mail fees	-	-	324,058	-	1,076,647	28,585	1,429,290
List rental	-	-	143,865	-	431,644	10,719	586,228
Mailshop	-	-	1,378,227	-	4,222,400	61,377	5,662,004
Caging	-	-	-	-	-	669,234	669,234
Printing	43	114	73	36	14	82	362
List management	-	-	12,897	-	50,218	1,288	64,403
Data processing	-	-	46,716	-	150,561	3,566	200,843
Premiums	-	-	299,502	-	598,350	7,852	905,704
Postage	160	423	692,262	133	2,022,067	35,845	2,750,890
Bank charges	714	1,889	30,002	592	85,321	2,453	120,971
Professional fees	13,560	35,882	23,110	11,252	4,432	26,000	114,236
Website	36	95	61	30	12	69	303
Legal	-	-	-	-	-	12,697	12,697
Travel	812	2,150	1,385	674	266	1,558	6,845
Accounting	-	-	-	-	-	129,042	129,042
Insurance	1,328	3,515	2,264	1,102	434	2,547	11,190
Meals	213	563	363	177	70	408	1,794
Rent	5,297	14,015	9,027	4,395	1,731	10,156	44,621
State registrations	-	-	2,360	-	7,276	197	9,833
Supplies	615	1,627	1,168	510	559	1,189	5,668
Telephone	967	2,559	1,648	802	316	1,854	8,146
Utilities	1,221	3,232	2,081	1,013	399	2,342	10,288
Board expenses	2,551	6,750	4,347	2,117	834	4,891	21,490
Salaries and benefits	56,400	149,245	96,123	46,802	18,436	108,145	475,151
Payroll taxes	3,608	9,546	6,149	2,994	1,179	6,917	30,393
Interest	-	-	15	-	21	1	37
Depreciation	304	805	518	252	99	583	2,561
Escrow	-	-	7,214	-	18,321	488	26,023
Marketing	-	-	-	-	6,965	-	6,965
Miscellaneous expense	825	2,183	1,405	685	270	1,581	6,949
Total Functional Expenses	\$ 388,002	\$ 311,533	\$ 3,204,840	\$ 123,566	\$ 8,698,842	\$ 1,131,666	\$ 13,858,449

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

United States Deputy Sheriffs' Association, Inc.
Statement of Cash Flows
Year Ended December 31, 2019

Cash flows from operating activities	
Change in net assets	\$ 534,887
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation	2,561
Unrealized gains on investments	(45,783)
Changes in operating assets and liabilities	
Prepaid expenses	(30,321)
Accounts payable	182,440
Accrued expenses	(10,601)
Net cash provided by operating activities	<u>633,183</u>
Cash flows from investing activities	
Purchases of equipment	(2,517)
Purchases of investments	(218,802)
Net cash used in investing activities	<u>(221,319)</u>
Net increase in cash	411,864
Cash, beginning	<u>479,587</u>
Cash, ending	<u>\$ 891,451</u>

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

Note 1 Organization

United States Deputy Sheriffs' Association, Inc. (the Organization) is a not-for-profit corporation organized on November 29, 1995 for the purpose of supporting, increasing, and assisting in the education and training of law enforcement agencies; providing equipment essential to support agencies in carrying out their assigned duties; assisting members of the law enforcement community in obtaining additional benefits, providing benefits to members of the families of law enforcement personnel for education, care, housing, and medical treatment, and to encourage the general public to honor the sacrifices of officers and their families and to seek their assistance in fulfilling the Organization's programs.

Contributions are received primarily as a result of direct mail solicitations to individuals and other entities throughout the country. Contributions are recognized as support when received.

Note 2 Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Financial Statement Presentation

The Organization presents its financial statements in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Presentation of Financial Statements*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time and/or net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

The Organization reports gifts of cash and other assets as donor restricted revenue if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions. When donor restrictions are met in the same reporting period, donor restricted contributions are reported as without donor restricted contributions.

The Organization had no net assets with donor restrictions as of December 31, 2019.

Note 2 Summary of Significant Accounting Policies (continued)

Donated Services, Materials, and Facilities

Donated services are recognized as contributions in accordance with FASB ASC 958, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. For the year ended December 31, 2019, there were no donated services.

Donations of materials and equipment are recorded at their estimated fair value as of the date of donation.

Allocation of Expenses

The Organization allocates costs between program and supporting services based on the function they directly benefit or on management's estimates of the proportion of these costs applicable to each function. Expenses are either recorded directly to program or supporting services or allocated using an estimate of the time spent by employees to specific functions. The expenses that are allocated include salaries and benefits, payroll taxes, office and accompanying expenses and professional fees. Direct mail expenses are allocated based upon the percentage of copy lines devoted to each functional area weighted by the number of pieces mailed.

Functional Expenses

The costs of providing various program and supporting services have been summarized on a functional basis on the statement of functional expenses. Certain costs have been allocated among program and supporting services as follows:

Grants for equipment - All expenses to provide needed law enforcement equipment, free of charge, to under-funded law enforcement agencies made possible through charitable contributions from the public.

Education and training - All expenses to educate and train law enforcement officers in the use of lethal force, realistic impact weapons defense, and ground confrontation management.

Officer benefits and awareness - All expenses incurred to encourage the public to honor law enforcement, as well as partnering with community and municipal groups to assist local law enforcement departments in crime prevention activities, encouraging collaboration between community groups, and encouraging citizen volunteer opportunities with local law enforcement departments. Additionally, all expenses to provide financial and economic aid to the families of officers killed in the line of duty.

Scholarships - All expenses incurred to select and pay scholarship recipients for educational tuition assistance.

Fundraising - All expenses incurred with the purpose of raising funds.

Note 2 Summary of Significant Accounting Policies (continued)

Management and general - All other expenses incurred by the Organization in the accomplishment of its tax exempt purposes.

Income Taxes

The Organization is generally exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (Code). As such, only unrelated business income is subject to income tax. No such unrelated business income tax was incurred during 2019. The Organization has been classified as a public charity under section 170(b)(1)(A)(vi) of the Code.

Management has evaluated the Organization's tax positions and has concluded that the Organization has taken no uncertain tax positions that require adjustment to the financial statements. The Organization's federal Return of Organization Exempt from Income Tax (Form 990) is open to examination by the Internal Revenue Service generally for three years after they were filed.

Cash

For purposes of the statement of cash flows, cash consists of demand deposits held in banks.

Investments

Investments which consist of money market and equity securities are reported at fair value based on unadjusted quoted prices.

Fixed Assets

The Organization capitalizes fixed assets greater than \$500. Fixed assets are recorded at cost and depreciated using the straight-line method over the estimated useful lives of five years. Maintenance and repairs are expensed as incurred.

Uses of Estimates

Management uses estimates and assumptions in preparing financial statements in conformity with GAAP. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

Note 3 Allocation of Joint Costs

For the year ended December 31, 2019, the Organization incurred joint costs of \$11,739,519 for direct mail informational materials and activities that included fundraising appeals. Of those costs, \$2,933,388 was allocated to program services, \$150,509 was allocated to general and administration, and \$8,655,622 was allocated to fundraising.

Note 4 Fair Value Measurement

The Organization follows FASB ASC 820 to disclose fair value measurements of assets and liabilities. FASB ASC 820 requires that assets and liabilities carried at fair value to be classified and disclosed in one of the following three categories:

Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Organization performs a detail analysis of the assets and liabilities that are subject to FASB ASC 820. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets held by the Organization at December 31, 2019. The inputs and techniques used in measuring fair value were not changed in 2019.

The following table presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy. There are no liabilities that are being measured and reported on a fair value basis.

	Fair Value	Level 1	Level 2	Level 3
Domestic equities	\$ 133,191	\$ 133,191	\$ -	\$ -
Mutual funds	456,127	456,127	-	-
Total	<u>\$ 589,318</u>	<u>\$ 589,318</u>	<u>\$ -</u>	<u>\$ -</u>

The Organization holds investments in mutual funds and equity securities which are publicly traded on various open markets and are considered a Level 1 item. Investments also include \$6,654 of money market funds which are held at cost.

Note 5 Contingent Liabilities

The Organization entered into contracts with consulting firms to assist with fundraising and program service activities. The contracts are no-risk contracts and the Organization is required to pay invoices to the extent of direct mail income. If costs remain unpaid upon termination of the contracts, the consulting firms will retain a lien and an interest in the Organization's direct mail list as well as on the proceeds from the list's rental until the costs have been repaid. As of December 31, 2019, \$2,396,757 of expenses remains a potential future liability as revenue is received.

Note 6 Operating Lease

On November 22, 2016, the Organization entered in lease for a training facility for law enforcement having a term from December 1, 2016 through November 30, 2021.

As of December 31, 2019, the future minimum rental payments for this operating lease are as follows:

Year Ending <u>December 31,</u>	
2020	\$ 43,200
2021	<u>39,600</u>
	<u>\$ 82,800</u>

Note 7 Financial Risk

Financial instruments that are potentially subject to concentration of credit risk consist primarily of cash in banks. The Organization places its cash in financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC). The Organization maintains cash balances that may exceed federally insured limits. The Organization has not experienced any losses.

Note 8 Retirement Plan

The Organization has a defined contribution 401(k) plan for all eligible employees. Participants may make voluntary contributions up to the maximum amount allowable by law. The Organization's contributions to the 401(k) plan are at the discretion of management and vest to the participants ratably over six years. For the year ended December 31, 2019, total employer contributions were \$50,000, which are reflected in salary and benefit expense and accrued expenses in the financial statements.

Note 9 Liquidity

The Organization's financial assets available to meet cash needs for general expenditure consists of cash of \$891,451 and investments of \$595,972 which are not subject to donor or other contractual restrictions that would make them unavailable within one year of the statement of financial position date. The Organization is substantially supported through contributions from the general public.

Note 10 Restatement

Net assets as of December 31, 2018, have been restated to adjust for an understatement of accounts payable. The effect of the correction was to decrease change in net assets for 2018 by \$18,259. The cumulative effect decreases beginning net assets without donor restrictions by \$147,099.

Note 11 Subsequent Events

Management has evaluated subsequent events through August 18, 2020, when the financial statements were available to be issued.

Economic uncertainties have arisen due to the spread of the COVID-19 coronavirus. Management believes such uncertainties are temporary in nature. Other financial impacts could occur, although such potential impacts are unknown at this time.