



PragerMetis

**United States Deputy Sheriffs’
Association, Inc.
Financial Statements
December 31, 2021**

United States Deputy Sheriffs' Association, Inc.
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December 31, 2021

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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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Opinion

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, 2021, and the related statements of activities, functional expenses, and cash flows 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 United States Deputy Sheriffs' Association, Inc. as of December 31, 2021, 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 United States Deputy Sheriffs' Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related 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 these 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 United States Deputy Sheriffs' Association, 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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 United States Deputy Sheriffs' Association, 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 United States Deputy Sheriffs' Association, 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 identified during the audit.

Prager Metis CPAs, LLC

Prager Metis CPAs, LLC
McLean, Virginia
May 19, 2022

United States Deputy Sheriffs' Association, Inc.
Statement of Financial Position
December 31, 2021

Assets

Current assets

Cash	\$ 971,104
Contributions receivable	74,505
Investments	932,338
Prepaid expenses	153,860
Inventory	23,096
Total current assets	<u>2,154,903</u>

Property and equipment, net	<u>1,021,004</u>
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Total assets	<u><u>\$ 3,175,907</u></u>
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Liabilities and net assets

Liabilities

Current liabilities

Accounts payable	\$ 926,911
Mortgage payable, current portion	41,299
Accrued expenses	8,658
Total current liabilities	<u>976,868</u>

Mortgage payable, less current portion	<u>709,075</u>
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Total liabilities	1,685,943
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Net assets

Without donor restrictions	<u>1,489,964</u>
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Total liabilities and net assets	<u><u>\$ 3,175,907</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, 2021

Revenue and support

Contributions	\$ 18,985,058
Gifts in-kind	1,689,259
Investment return	69,552
Rental income	18,065
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Total revenue and support

20,761,934

Expenses

Program services	
Grants for equipment	725,045
Education and training	434,642
Officer benefits and awareness	7,368,408
Scholarships	130,916
Total program services	<hr/> 8,659,011

Supporting services

Fundraising	10,072,695
Management and general	1,954,631
Total supporting services	<hr/> 12,027,326

Total expenses

20,686,337

Change in net assets

75,597

Net assets without donor restrictions, beginning

1,414,367

Net assets without donor restrictions, ending

\$ 1,489,964

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, 2021

	Program Services				Supporting Services		Total
	Grants for Equipment	Education and Training	Officer Benefits and Awareness	Scholarships	Fundraising	Management and General	
Equipment	\$ 623,994	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 623,994
End of watch benefit	-	-	409,000	-	-	-	409,000
Scholarships	-	-	-	47,000	-	-	47,000
Training	-	75,509	-	-	-	-	75,509
Mail fees	-	-	976,464	-	1,874,722	131,012	2,982,198
List rental	-	-	338,462	-	703,677	47,958	1,090,097
Mailshop	-	-	1,675,852	-	3,568,597	216,725	5,461,174
Caging	-	-	-	-	-	965,560	965,560
Printing	50	151	70	42	17	108	438
List management	-	-	17,910	-	44,107	2,660	64,677
Data processing	-	-	106,977	-	228,057	14,552	349,586
Premiums	-	-	478,730	-	623,328	44,335	1,146,393
Postage	257	769	1,440,941	213	2,834,845	187,131	4,464,156
Bank charges	1,291	3,872	46,855	1,072	88,301	8,007	149,398
Professional fees	13,974	41,898	19,455	11,605	4,617	29,966	121,515
Website	478	1,432	665	396	158	1,024	4,153
Legal	-	-	-	-	-	1,549	1,549
Travel	58	174	81	48	19	124	504
Accounting	-	-	18,360	-	39,360	107,048	164,768
Insurance	1,292	3,875	1,799	1,073	427	2,771	11,237
Meals	166	498	231	138	55	355	1,443
Rent	3,023	9,064	4,209	2,510	999	6,482	26,287
State registrations	-	-	5,177	-	10,680	448	16,305
Supplies	1,019	3,056	1,419	846	337	2,186	8,863
Telephone	1,214	3,639	1,690	1,008	401	2,602	10,554
Utilities	-	10,109	-	-	-	2,527	12,636
Board expenses	4,042	12,120	5,628	3,357	1,336	8,668	35,151
Salaries and benefits	68,926	206,660	95,959	57,239	22,776	147,801	599,361
Payroll taxes	4,106	12,311	5,717	3,410	1,357	8,805	35,706
Interest	-	16,872	1,751	-	2,821	4,456	25,900
Depreciation	611	14,940	851	508	202	4,588	21,700
Real estate taxes	-	16,062	-	-	-	4,016	20,078
Marketing	-	-	1,713,289	-	21,027	-	1,734,316
Miscellaneous expense	544	1,631	866	451	472	1,167	5,131
Total functional expenses	\$ 725,045	\$ 434,642	\$ 7,368,408	\$ 130,916	\$ 10,072,695	\$ 1,954,631	\$ 20,686,337

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, 2021

Cash flows from operating activities	
Change in net assets	\$ 75,597
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation	21,700
Realized and unrealized gains on investments	(43,812)
Changes in operating assets and liabilities	
Contributions receivable	(74,505)
Prepaid expenses	445,114
Security deposits	3,750
Inventory	(23,096)
Accounts payable	(620,653)
Accrued expenses	(1,010)
Net cash used in operating activities	<u>(216,915)</u>
Cash flows from investing activities	
Purchases of property and equipment	(228,534)
Purchases of investments	(17,536)
Net cash used in investing activities	<u>(246,070)</u>
Cash flows from financing activities	
Principal payments on mortgage payable	(29,626)
Net cash used in financing activities	<u>(29,626)</u>
Net decrease in cash	(492,611)
Cash, beginning	<u>1,463,715</u>
Cash, ending	<u>\$ 971,104</u>

Noncash investing and financing activities in 2021 consist of financing the cost of acquiring a building through a long-term note of \$780,000 payable to Chain Bridge Bank. Interest paid for 2021 was \$25,900.

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.

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

GAAP requires the Organization 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, 2021.

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.

Contributions receivable consist of bequests that are expected to be collected within one year.

Note 2 Summary of Significant Accounting Policies (continued)

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, other than direct mail 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.

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 2021. The Organization has been classified as a public charity under section 170(b)(1)(A)(vi) of the Code.

Note 2 Summary of Significant Accounting Policies (continued)

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.

Investments

Investments which consist of mutual funds and equity securities which are reported at fair value based on unadjusted quoted prices. Investments may also include money market funds which are reported at cost.

Inventory

Inventory consists of various items included within the Organization's direct mail. Inventory is held at cost.

Gifts In-kind

Gifts in-kind are recorded as contributions at their estimated fair value as of the date of the donation.

Fixed Assets

The Organization capitalizes fixed assets greater than \$500. Fixed assets are recorded at cost and depreciated using the straight-line method over estimated useful lives of five to forty 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 Property and Equipment

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

Building	\$ 958,490
Land	53,600
Furniture and equipment	<u>36,776</u>
	1,048,866
Less: accumulated depreciation	<u>(27,862)</u>
	<u><u>\$ 1,021,004</u></u>

Note 4 Allocation of Joint Costs

For the year ended December 31, 2021, the Organization incurred joint costs of \$15,775,735 for direct mail informational materials and activities that included fundraising appeals. Of those costs, \$5,105,432 was allocated to program services, \$652,027 was allocated to management and general, and \$10,018,276 was allocated to fundraising.

Note 5 Fair Value Measurement

GAAP 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.

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	\$ 233,984	\$ 233,984	\$ -	\$ -
Mutual funds	690,059	690,059	-	-
Total	<u>\$ 924,043</u>	<u>\$ 924,043</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 \$8,295 of money market funds which are held at cost.

Note 6 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, 2021, \$1,179,298 of expenses remains a potential future liability as revenue is received.

Note 7 Mortgage Note Payable

The Organization obtained a mortgage on March 23, 2021 with a principal amount of \$780,000. The mortgage provides for interest at the rate of 3.60% per annum, has a 15-year term and matures on March 23, 2036. Monthly payments of \$5,635 include interest and principal. The mortgage is secured by the Organization's headquarters and subject to certain restrictive covenants. As of the statement of financial position date, the Organization is in compliance with all loan covenants.

Future principal payments as of December 31, 2021 are as follows:

2022	\$	41,299
2023		42,810
2024		44,377
2025		46,001
2026		47,685
Thereafter		<u>528,202</u>
	\$	<u><u>750,374</u></u>

Note 8 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 9 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, 2021, total employer contributions were \$63,926, which are reflected in salary and benefit expense in the statement of functional expenses.

Note 10 Liquidity

The Organization's financial assets available to meet cash needs for general expenditure consists of cash of \$971,104, accounts receivable of \$74,505, and investments of \$932,338 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 11 Contributed Services

During the year, the Organization produced Public Service Announcements (PSAs). In connection with the airing of the PSAs, the Organization received airtime with a fair value of \$1,689,259 for the year ended December 31, 2021. The amount was recognized as gifts in-kind revenue and officer benefits and awareness expense in the statement of activities and as a component of marketing expense in the statement of functional expense.

Note 12 Subsequent Events

Management has evaluated subsequent events through May 19, 2022, the date on which the financial statements were available to be issued.