



PragerMetis

**United States Deputy Sheriffs’
Association, Inc.
Financial Statements
December 31, 2020**

United States Deputy Sheriffs' Association, Inc.
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Independent Auditor's Report

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

Prager Metis CPAs, LLC

1360 BEVERLY ROAD
SUITE 300
MCLEAN, VA 22101

T 703.821.0702
F 703.448.1236

www.pragermetis.com

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, 2020, 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, 2020, 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 9, 2021

United States Deputy Sheriffs' Association, Inc.
Statement of Financial Position
December 31, 2020

Assets

Current assets

Cash	\$ 1,463,715
Investments	870,992
Prepaid expenses	<u>598,974</u>
Total current assets	<u>2,933,681</u>

Equipment, net of accumulated depreciation of \$7,068	34,168
Security deposits	<u>3,750</u>

Total assets	<u><u>\$ 2,971,599</u></u>
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Liabilities and net assets

Liabilities

Current liabilities

Accounts payable	\$ 1,497,564
Accrued expenses	<u>59,668</u>

Total liabilities (all current)	1,557,232
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Net assets

Without donor restrictions	<u>1,414,367</u>
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Total liabilities and net assets	<u><u>\$ 2,971,599</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, 2020

Revenue and support

Contributions	\$ 19,673,070
Investment return	<u>81,767</u>

Total revenue and support

19,754,837

Expenses

Program services	
Grants for equipment	688,907
Education and training	319,218
Officer benefits and awareness	5,911,905
Scholarships	<u>140,520</u>
Total program services	<u>7,060,550</u>

Supporting services

Fundraising	11,053,824
Management and general	<u>1,341,120</u>
Total supporting services	<u>12,394,944</u>

Total expenses

19,455,494

Change in net assets

299,343

Net assets without donor restrictions, beginning

1,115,024

Net assets without donor restrictions, ending

\$ 1,414,367

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, 2020

	Program Services				Supporting Services		Total
	Grants for Equipment	Education and Training	Officer Benefits and Awareness	Scholarships	Fundraising	Management and General	
Equipment	\$ 589,465	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 589,465
End of watch benefit	-	-	289,000	-	-	-	289,000
Scholarships	-	-	-	58,000	-	-	58,000
Training	-	55,816	-	-	-	-	55,816
Mail fees	-	-	724,380	-	1,392,434	27,069	2,143,883
List rental	-	-	381,330	-	752,914	14,308	1,148,552
Mailshop	-	-	2,152,035	-	4,651,112	66,835	6,869,982
Caging	-	-	-	-	-	783,854	783,854
Printing	24	64	34	20	8	51	201
List management	-	-	13,016	-	42,181	962	56,159
Data processing	-	-	79,473	-	180,683	3,503	263,659
Premiums	-	-	444,892	-	673,127	6,994	1,125,013
Postage	246	652	1,633,779	204	3,205,779	56,988	4,897,648
Bank charges	1,230	3,257	41,444	1,021	94,778	3,817	145,547
Professional fees	18,896	50,051	26,973	15,680	6,193	40,595	158,388
Website	255	675	364	212	84	547	2,137
Legal	-	-	-	-	-	31,456	31,456
Travel	499	1,321	712	414	163	1,070	4,179
Accounting	-	-	-	-	-	129,036	129,036
Insurance	569	1,508	813	472	187	1,222	4,771
Meals	286	757	408	237	94	614	2,396
Rent	5,408	14,326	7,721	4,488	1,773	11,619	45,335
State registrations	-	-	4,843	-	9,399	107	14,349
Supplies	481	1,275	779	400	288	1,037	4,260
Telephone	1,053	2,789	1,503	874	345	2,263	8,827
Utilities	1,147	3,037	1,637	951	376	2,463	9,611
Board expenses	3,268	8,657	4,666	2,712	1,071	7,022	27,396
Salaries and benefits	61,119	161,894	87,249	50,719	20,031	131,307	512,319
Payroll taxes	3,812	10,096	5,441	3,163	1,249	8,189	31,950
Depreciation	338	895	482	280	111	727	2,833
Escrow	-	-	7,772	-	19,178	390	27,340
Marketing	-	-	-	-	-	5,337	5,337
Miscellaneous expense	811	2,148	1,159	673	266	1,738	6,795
Total Functional Expenses	\$ 688,907	\$ 319,218	\$ 5,911,905	\$ 140,520	\$ 11,053,824	\$ 1,341,120	\$ 19,455,494

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, 2020

Cash flows from operating activities

Change in net assets	\$ 299,343
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation	2,833
Realized and unrealized gains on investments	(53,120)
Changes in operating assets and liabilities	
Prepaid expenses	(568,653)
Accounts payable	1,139,343
Accrued expenses	1,850
Net cash provided by operating activities	<u>821,596</u>

Cash flows from investing activities

Purchases of equipment	(27,432)
Purchases of investments	(221,900)
Net cash used in investing activities	<u>(249,332)</u>

Net increase in cash 572,264

Cash, beginning 891,451

Cash, ending \$ 1,463,715

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

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, 2020.

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 2020. 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. 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.

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, 2020, the Organization incurred joint costs of \$16,679,987 for direct mail informational materials and activities that included fundraising appeals. Of those costs, \$5,480,950 was allocated to program services, \$177,806 was allocated to general and administration, and \$11,021,231 was allocated to fundraising.

Note 4 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.

Note 4 Fair Value Measurement (continued)

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.

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Domestic equities	\$ 238,331	\$ 238,331	\$ -	\$ -
Mutual funds	625,063	625,063	-	-
Total	<u>\$ 863,394</u>	<u>\$ 863,394</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 \$7,598 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, 2020, \$4,022,857 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, 2020, the future minimum rental payments for this operating lease are as follows:

Year Ending <u>December 31,</u> 2021	<u>39,600</u>
	<u>\$ 39,600</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, 2020, total employer contributions were \$61,325, which are reflected in salary and benefit expense in the financial statements.

Note 9 Liquidity

The Organization's financial assets available to meet cash needs for general expenditure consists of cash of \$1,463,715 and investments of \$870,992 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 Subsequent Events

Management has evaluated subsequent events through August 9, 2021, when the financial statements were available to be issued.

The Organization purchased a new building for its headquarters on March 23, 2021. The purchase price of the building is \$975,000. The Organization signed a 15-year mortgage loan of \$780,000 on March 4, 2021 with an interest rate of 3.60%. The mortgage is secured by all property located at 2233 South West Court, Wichita, KS 67213.