

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

Financial Statements

June 30, 2023

Robbins and Moroney, P.A.
Certified Public Accountants

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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, 2023, 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, 2023, 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 25, 2023.

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

Statement of Financial Position
June 30, 2023

Assets

Current Assets

Cash and Cash Equivalents	\$ 87,315
Prepaid Expenses	37,035
Total Current Assets	<u>124,350</u>

Non-current Assets

Property and Equipment	3,084
Right of Use Leased Asset - Operating	44,188
Total Non-current Assets	<u>47,272</u>

Total Assets	<u><u>\$ 171,622</u></u>
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Liabilities and Net Assets

Current Liabilities

Accounts Payable and Accrued Expenses	\$ 29,910
Deferred Membership Dues	1,659
Lease Liability - Operating	13,461
Settlement Payable	60,000
Total Current Liabilities	<u>105,030</u>

Long Term Liabilities

Lease Liability - Operating	30,727
Settlement Payable	38,637
Total Long Term Liabilities	<u>69,364</u>

Total Liabilities	<u>174,394</u>
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Net Assets

Without Donor Restrictions (Deficit)	(4,022)
With Donor Restrictions	1,250
Total Net Assets (Deficit)	<u>(2,772)</u>

Total Liabilities and Net Assets	<u><u>\$ 171,622</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, 2023

Net Assets Without Donor Restrictions	
Public Support and Revenues	
Contributions	\$ 1,953,165
Membership Dues	4,316
Other	9,056
Investment Income	426
Net Assets Released from Restrictions	5,000
Total Public Support and Revenues	<u>1,971,963</u>
Expenses	
Program Services	837,654
General and Administrative	269,785
Fundraising	689,542
Total Expenses	<u>1,796,981</u>
Change in Net Assets Without Donor Restrictions	<u>174,982</u>
Net Assets With Donor Restrictions	
Net Assets Released from Restrictions	<u>(5,000)</u>
Change in Net Assets With Donor Restrictions	<u>(5,000)</u>
Change in Net Assets	169,982
Net Assets, Beginning of Year	<u>(172,754)</u>
Net Assets, End of Year	<u>\$ (2,772)</u>

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, 2023

Cash Flows from Operating Activities	
Change in Net Assets	\$ 169,982
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities:	
Depreciation	1,028
Net Realized and Unrealized Loss	56
Reduction in Right of Use Lease Assets - Operating	13,342
Change in Assets and Liabilities	
Decrease in Other Receivables	42,297
Decrease in Prepaid Expenses	81,515
Decrease in Accounts Payable and Accrued Expenses	(379,631)
Decrease in Deferred Membership Dues	(464)
Decrease in Lease Liability - Operating	(13,342)
Decrease in Settlement Payable	(60,000)
Net Cash Flows from Operating Activities	<u>(145,217)</u>
Cash Flows from Investing Activities	
Sale of Investments	68,162
Net Cash Flows from Investing Activities	<u>68,162</u>
Net Change in Cash and Cash Equivalents	(77,055)
Cash and Cash Equivalents, Beginning of Year	<u>164,370</u>
Cash and Cash Equivalents, End of Year	<u>\$ 87,315</u>
 Supplementary Disclosure of Cash Information:	
Cash Paid for Amounts included in the Measurement of Lease Liabilities	
Operating Cash Out-Flows from Operating Leases	<u>\$ 13,799</u>
 Other Non-Cash Investing and Financing Activities:	
Right of Use Asset Upon ASC 842 Implementation - Operating Lease	<u>\$ 57,530</u>

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, 2023

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Management Fees	\$ 300,120	\$ 115,643	\$ 87,097	\$ 502,860
Professional Fundraising Fees	17,045	1,364	275,320	293,729
Postage and Mailing	91,108	8,284	144,603	243,995
Printing	52,574	5,270	138,901	196,745
Office	49,391	62,590	26,879	138,860
Miscellaneous	85,824	50,812		136,636
Awards and Gifts	92,939			92,939
Newsletter	48,581			48,581
Special Police Events	35,589			35,589
Police Family Scholarships	24,750			24,750
Telephone/ Website	9,155	6,192	8,188	23,535
Legal and Accounting		15,690		15,690
Repairs and Maintenance	10,904	2,180	2,551	15,635
Family Emergency Assistance	11,750			11,750
Mailing List Rental	2,099	114	4,447	6,660
Employee Benefits	2,164	1,235	1,350	4,749
Grief Counseling	3,250			3,250
Depreciation	411	411	206	1,028
Total Functional Expenses	<u>\$ 837,654</u>	<u>\$ 269,785</u>	<u>\$ 689,542</u>	<u>\$ 1,796,981</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, 2023

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. 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 25, 2023, 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.

AMERICAN FEDERATION OF POLICE AND CONCERNED CITIZENS, INC.

Notes to Financial Statements

June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2023, 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.

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.

AMERICAN FEDERATION OF POLICE AND CONCERNED CITIZENS, INC.

Notes to Financial Statements

June 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements: Effective July 1, 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, as amended. This guidance is intended to improve financial reporting of lease transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than 12 months. Key provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. The Organization elected the effective date transition method.

As of July 1, 2022, the Organization recognized (a) operating lease liabilities of \$57,530, which represents the present value of the remaining lease payments of \$58,646, discounted using a risk-free rate of return of 0.89% based on the 5-year U.S. Treasury rate at the date of the lease inception on June 14, 2021, and (b) operating right-of-use assets of \$57,530

3. 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, 2023, reduced by amounts not available for general expenditures within one year.

Cash and Cash Equivalents	\$ 87,315
Total Financial Assets at June 30, 2023	<u>87,315</u>
Less Amounts Not Available to be Used Within One Year:	
Net Assets With Donor Restrictions	1,250
Less Net Assets With Purpose Restrictions to be Met in Less Than One Year	<u>(1,250)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 87,315</u>

4. PROPERTY AND EQUIPMENT

At June 30, 2023, property and equipment consisted of:

Computer Equipment	\$ 26,373
Office Furniture and Equipment	<u>80,697</u>
	107,070
Less: Accumulated Depreciation	<u>(103,986)</u>
	<u>\$ 3,084</u>

5. LEASE COMMITMENTS

The Organization implemented ASC-842, *Leases* effective July 1, 2022. This represents a change in accounting principles as it relates to leases. The Organization leases office equipment classified as an operating lease. The following components are recognized in the financial statements as of June 30, 2023

AMERICAN FEDERATION OF POLICE AND CONCERNED CITIZENS, INC.

Notes to Financial Statements

June 30, 2023

5. LEASE COMMITMENTS (continued)

Right of Use Leased Asset – Operating	\$ 44,188
Lease Liability – Operating	<u>\$ 44,188</u>

The Organization applied a discount rate of 0.89% for the operating lease, which is the risk-free rate of return of 0.89% based on the 5-year U.S. Treasury rate at the date of the lease inception on June 14, 2021. The remaining lease term is 39 months as of June 30, 2023.

Future minimum payments under the lease as of June 30, 2023 are as follows:

Year Ended June 30, 2024	\$ 13,799
2025	13,799
2026	13,799
2027	<u>3,450</u>
	44,847
Less: Discount	<u>(659)</u>
Lease Liability	44,188
Less: Current Portion	<u>(13,461)</u>
Non-Current Portion	<u>\$ 30,727</u>

Total rent expense for the operating lease was \$13,799 for the year ended June 30, 2023.

6. NET ASSETS WITH DONOR RESTRICTIONS

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

Scholarships	<u>\$ 1,250</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>\$ 5,000</u>
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7. 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 \$502,860 during the year ended June 30, 2023.

During the year ended June 30, 2023, the Organization incurred approximately \$306,000 of operating expenses which were paid directly by NACOP for the benefit of the Organization. In addition, NACOP provided cash contributions of \$95,000 to the Organization. NACOP received approximately \$79,000 as a reimbursement resulting in \$322,000 of the contribution revenue

recognized by the Organization in the Statement of Activities. There are no receivables or payables recorded at June 30, 2023 between the related companies.

AMERICAN FEDERATION OF POLICE AND CONCERNED CITIZENS, INC.

Notes to Financial Statements

June 30, 2023

8. ALLOCATION OF JOINT COSTS

The Organization incurred joint costs of \$439,762 for informational materials and activities that included fundraising appeals.

These costs were allocated as follows:

Program Services	\$	112,062
General and Administrative		9,489
Fundraising		318,211
	\$	<u>439,762</u>

9. CONCENTRATIONS OF CREDIT RISKS

The Organization maintains checking and money market accounts, which, at times, may exceed insured limits. At June 30, 2023, the Organization had deposits in financial institutions, which exceeded the depositor's insurance provided by the applicable guarantee agency by approximately \$5,000. 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.

10. 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, 2023, the Organization owes the State of Minnesota \$98,637 to be paid as follows:

Year ending June 30,	2024	\$	60,000
	2025		38,637
		\$	<u>98,637</u>