



COPS DIRECT

AUDITED FINANCIAL STATEMENTS

Years Ended

June 30, 2018 and 2017

With Independent Auditors' Report Thereon

Cops Direct

(A California Non-Profit Corporation)
June 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

The Board of Directors Cops Direct

We have audited the accompanying financial statements of Cops Direct (a California nonprofit organization) which comprise the statements of financial position as of June 30, 2018 and 2017 and the related statements of activities and changes in net assets, cash flows and functional expenses for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Cops Direct as of June 30, 2018 and 2017 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*October 23, 2018
Danville, California*

Regalia & Associates

COPS DIRECT

Statements of Financial Position June 30, 2018 and 2017

ASSETS

	2018	2017
Current assets:		
Cash and cash equivalents	\$ 18,129	\$ 11,222
Total current assets	<u>18,129</u>	<u>11,222</u>
	<u>\$ 18,129</u>	<u>\$ 11,222</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued liabilities	\$ 64,530	\$ 85,733
Total current liabilities	<u>64,530</u>	<u>85,733</u>
Net assets:		
Unrestricted	<u>(46,401)</u>	(74,511)
Total net assets	<u>(46,401)</u>	<u>(74,511)</u>
	<u>\$ 18,129</u>	<u>\$ 11,222</u>

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Statements of Activities and Changes in Net Assets Years Ended June 30, 2018 and 2017

	2018	2017
<i>Changes in unrestricted net assets:</i>		
Grants, contributions and revenue:		
Contributions	\$ 914,798	\$ 223,575
Total grants, contributions and revenue:	914,798	223,575
Expenses:		
Program services	605,420	198,032
General and administrative	17,441	4,491
Fundraising	263,827	95,563
Total expenses	886,688	298,086
Increase (decrease) in net assets	28,110	(74,511)
Net assets at beginning of year	(74,511)	-
Net assets at end of year	\$ (46,401)	\$ (74,511)

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Statements of Cash Flows Years Ended June 30, 2018 and 2017

	2018	2017
<i>Operating activities:</i>		
Increase (decrease) in net assets	\$ 28,110	\$ (74,511)
Adjustments to reconcile to cash provided by operating activities:		
Changes in:		
Accounts payable and accrued liabilities	(21,203)	85,733
Cash provided by operating activities	6,907	11,222
Increase in cash and cash equivalents	6,907	11,222
Cash and cash equivalents at beginning of year	11,222	-
Cash and cash equivalents at end of year	\$ 18,129	\$ 11,222
<i>Additional cash flow information:</i>		
State taxes paid	\$ 75	\$ 50
Interest paid	\$ -	\$ -

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Statements of Functional Expenses Years Ended June 30, 2018 and 2017

	General			Totals	General			Totals
	Program	and Admin-	Fund-	June	Program	and Admin-	Fund-	June
	Services	istrative	raising	30, 2018	Services	istrative	raising	30, 2017
Accounting	\$ 5,526	\$ 780	\$ 195	\$ 6,501	\$ 1,065	\$ 150	\$ 38	\$ 1,253
Direct mail-agency fees/administrative	-	13,727	91,749	105,476	-	1,391	26,297	27,688
Direct mail-list rental/advertising	29,301	-	8,660	37,961	12,451	136	5,893	18,480
Direct mail-data processing	22,324	-	6,598	28,922	5,211	57	2,466	7,734
Direct mail-postage and mailhouse costs	198,577	-	58,687	257,264	47,646	519	22,550	70,715
Direct mail-printing and premiums	308,414	-	91,148	399,562	79,663	868	37,702	118,233
Direct mail-miscellaneous costs	20,496	-	6,057	26,553	586	6	277	869
Marketing and promotion	20,411	2,882	720	24,013	7,300	1,031	257	8,588
Office and administration	328	46	12	386	1,164	164	41	1,369
Professional fees	43	6	1	50	1,196	169	42	1,407
Product acquisition and distribution	-	-	-	-	41,750	-	-	41,750
Totals	\$ 605,420	\$ 17,441	\$ 263,827	\$ 886,688	\$ 198,032	\$ 4,491	\$ 95,563	\$ 298,086

Notes to Financial Statements June 30, 2018 and 2017

1. Organization

Cops Direct was established in September 2016 as a California nonprofit public charity corporation. CopsDirect is a 501c3 not for profit organization supplying law enforcement agencies within the United States with any critically needed items or training that they cannot acquire through normal procurement practices. Procurement issues may stem from budgetary constraints within an agency, a lack of staffing or not enough responses to warrant a given -but still needed- acquisition. Items fall into the categories of medical, operational, tactical, communications or K9 for the conventional beat officer or specialized elements such as K9, SWAT, First Responders and Search & Rescue. This support is provided at no expense to the requesting agency.

CopsDirect support is request based only. CopsDirect uses a 'real time' support model whereby most requests can be delivered to any agency within 3-7 days. Furthermore, the real time model proves invaluable in the case of a local or regional emergency where critical support can be delivered by the next day.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of Cops Direct have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, Cops Direct is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Cops Direct had no temporarily or permanently restricted net assets at June 30, 2018 and 2017.

Revenue Recognition

Cops Direct records contributions in accordance with the recommendations of ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

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 liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Notes to Financial Statements
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies *(continued)*

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash and bank deposits that have a maturity period of less than three months when opened.

Contributed Services and Costs

Contributed services and costs are reflected at the estimated fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Volunteers donate a substantial amount of time to Cops Direct. While significant in value, the value of this contributed time is not reflected in the financial statements because it is not susceptible to objective measurement or valuation and therefore did not meet the criteria for recognition under ASC 958.605.30-11 "*Revenue Recognition of Not-For-Profit Entities.*"

Income Taxes

Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, Cops Direct is required to report information regarding its exposure to various tax positions taken by Cops Direct and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that it has adequately evaluated its current tax positions and has concluded that as of June 30, 2018 and 2017, Cops Direct does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

Cops Direct has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that Cops Direct continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status. Cops Direct may periodically receive unrelated business income (such as sublease rental income) requiring Cops Direct to file separate tax returns under federal and state statutes. Under such conditions, Cops Direct calculates and accrues the applicable taxes.

Functional Allocation of Expenses

The costs of providing Cops Direct's various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Notes to Financial Statements June 30, 2018 and 2017

3. Cash and Cash Equivalents

Cash and cash equivalents of \$18,129 and \$11,222 at June 30, 2018 and 2017, respectively, consist of funds in checking and money market accounts that have maturity dates of 90 days or less. At times, cash account balance may exceed federally insured limits. As a result, Cops Direct attempts to limit its credit risk associated with cash equivalents by utilizing financial institutions that are well capitalized and highly rated.

4. Occupancy and Related Party

Cops Direct receives pro-bono office premises in San Ramon, California under a month-to-month operating agreement with Troops Direct (a related entity). The office location is in a building owned by a related party (an organization controlled by the Founder and Executive Director's father). There was no rent expenses for the years ended June 30, 2018 and 2017.

5. Marketing and Promotion

Marketing and promotion costs are expensed as incurred. Marketing and promotion expenses amounted to \$24,013 and \$8,588 for the years ended June 30, 2018 and 2017, respectively, and are reflected on the statements of functional expenses.

6. Allocation of Joint Costs

Cops Direct follows the provisions of ASC 958.720 *Other Expenses of Not-for-Profit*. Under ASC 958.720, Cops Direct incurred allocable joint costs of \$855,738 and \$243,719 for the informational materials and activities that included direct mail fund-raising appeals during the years ended June 30, 2018 and 2017, respectively. Of those costs, \$579,112 and \$145,557 were allocated to program services (for public education), \$13,727 and \$2,977 were allocated to general and administrative, and \$262,899 and \$95,185 were allocated to fund-raising expenses during the years ended June 30, 2018 and 2017, respectively. These allocations were based on independent analyses of the costs pertaining to the underlying expenses which were associated with various mailings.

7. In-kind Contributions (Donated Services, Materials and Facilities)

During the year ended June 30, 2017, Cops Direct was the recipient of a substantial amount of in-kind contributions which satisfied the provisions of ASC 958.605.30-11 and these donated services, materials, and facilities were recorded at their estimated fair market values as program and supporting revenues and expenses. The goods and materials were vital to the operation of the programs and would have had to be purchased otherwise. The values of these contributions amounted to \$41,750. There were no in-kind contributions during the year ended June 30, 2018.

Notes to Financial Statements
June 30, 2018 and 2017

8. Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and future projects, which are not reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Contractual restrictions and donor conditions which obligate Cops Direct to fulfill certain requirements as set forth in legal instruments, (b) Funding levels which vary based on factors beyond Cops Direct's control, such as general economic conditions, (c) Employment and service agreements with key management personnel, and (d) Financial risks associated with funds on deposit in accounts at financial institutions. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements. Certain of the grants and contracts (including current and prior costs) are subject to audit and final acceptance by the granting organizations.

9. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, Cops Direct has evaluated subsequent events through October 23, 2018, the date the financial statements were available to be issued and, in the opinion of management, there are no subsequent events which need to be disclosed.