



COPS DIRECT

Financial Statements

**For the years ended
June 30, 2021 and 2020**
With Independent Auditors' Report Thereon

COPS DIRECT

(A California Not-for-Profit Corporation)

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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, 2021 and 2020, 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.

Auditors' 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 auditors' 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Regalia & Associates

**April 8, 2022
Danville, California**

COPS DIRECT**Statements of Financial Position
June 30, 2021 and 2020****ASSETS**

	2021	2020
Current assets:		
Cash and cash equivalents	\$ 431,949	\$ 230,806
Accounts receivable	7,683	-
Prepaid expenses	83,600	9,002
Deposits and other assets	31,312	13,359
Total current assets	554,544	253,167
	\$ 554,544	\$ 253,167

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued liabilities	\$ 222,373	\$ 35,108
Refundable advance	17,082	-
Total current liabilities	239,455	35,108
Net assets:		
Without donor restrictions	315,089	218,059
Total net assets	315,089	218,059
	\$ 554,544	\$ 253,167

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**Statements of Activities and Changes in Net Assets
Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<i>Changes in net assets without donor restrictions:</i>		
Contributions and revenue:		
Contributions	\$ 2,571,888	\$ 1,437,850
List royalty revenue	14,248	18,700
Interest income	15	3
Total contributions and revenue	<u>2,586,151</u>	<u>1,456,553</u>
Expenses:		
Program services	1,382,815	702,449
General and administrative	157,873	94,721
Fundraising	948,433	481,466
Total expenses	<u>2,489,121</u>	<u>1,278,636</u>
Increase in net assets	97,030	177,917
Net assets at beginning of year	218,059	40,142
Net assets at end of year	<u>\$ 315,089</u>	<u>\$ 218,059</u>

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**Statements of Cash Flows
Years Ended June 30, 2021 and 2020**

	2021	2020
<i>Operating activities:</i>		
Increase in net assets	\$ 97,030	\$ 177,917
Adjustments to reconcile to cash provided by operating activities:		
Changes in:		
Accounts receivable	(7,683)	-
Prepaid expenses	(74,598)	48,770
Deposits and other assets	(17,953)	(7,905)
Accounts payable and accrued liabilities	187,265	(80,927)
Refundable advance	17,082	-
	201,143	137,855
Cash provided by operating activities	201,143	137,855
Increase in cash and cash equivalents	201,143	137,855
Cash and cash equivalents at beginning of year	230,806	92,951
	431,949	230,806
Cash and cash equivalents at end of year	\$ 431,949	\$ 230,806
 <i>Additional cash flow information:</i>		
State taxes paid	\$ 150	\$ 150
Interest paid	\$ -	\$ -

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**Statements of Functional Expenses
Years Ended June 30, 2021 and 2020**

	Program Services	General and Administrative	Fund-raising	Totals June 30, 2021	Program Services	General and Administrative	Fund-raising	Totals June 30, 2020
Direct mail-bookkeeping fees	\$ -	\$ 22,907	\$ -	\$ 22,907	\$ -	\$ 13,859	\$ -	\$ 13,859
Direct mail-agency fees/administrative	-	36,307	166,820	203,127	-	21,142	95,838	116,980
Direct mail-list rental/advertising	23,746	1,350	21,242	46,338	15,802	936	12,010	28,748
Direct mail-data processing	23,567	1,339	21,082	45,988	16,602	983	12,618	30,203
Direct mail-postage and mailhouse costs	294,582	16,741	263,512	574,835	173,964	10,301	132,221	316,486
Direct mail-printing and premiums	497,875	28,295	445,364	971,534	287,138	17,003	218,240	522,381
Direct mail-miscellaneous costs	10,660	606	9,535	20,801	9,192	544	6,986	16,722
Dues and subscriptions	5,070	-	5,070	10,140	-	1,024	-	1,024
Insurance	2,344	144	177	2,665	-	-	-	-
Marketing and promotion	15,832	-	-	15,832	9,825	103	414	10,342
Miscellaneous	-	-	-	-	-	2,639	-	2,639
Occupancy	13,195	808	997	15,000	-	-	-	-
Office and administration	4,557	5,695	1,139	11,391	-	2,192	-	2,192
Professional fees	-	38,405	-	38,405	-	23,210	-	23,210
Product acquisition and distribution	377,307	-	-	377,307	113,787	-	-	113,787
Program related support	-	-	-	-	1,482	-	-	1,482
Salaries, payroll taxes and related costs	84,940	5,204	6,416	96,560	72,943	768	3,071	76,782
Telephone and communications	1,181	72	89	1,342	1,620	17	68	1,705
Travel, meals, and entertainment	27,959	-	6,990	34,949	94	-	-	94
Totals	\$ 1,382,815	\$ 157,873	\$ 948,433	\$ 2,489,121	\$ 702,449	\$ 94,721	\$ 481,466	\$ 1,278,636

**Notes to Financial Statements
June 30, 2021 and 2020**

1. Organization

Cops Direct was established in September 2016 as a California nonprofit public charity corporation. Cops Direct is a 501(c)(3) 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.

Cops Direct support is request based only. Cops Direct 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 Presentation – The financial statements of Cops Direct have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP").

Measure of Operations – The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to Cops Direct’s ongoing operations which include a variety of programmatic activities. Nonoperating activities are limited to resources that generate return from interest-bearing deposits and other activities considered to be of a more unusual or nonrecurring nature.

Cash and Cash Equivalents – Cops Direct’s cash consists of cash on deposit with banks. When applicable, cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

Concentrations of Credit Risk – Financial instruments that potentially subject Cops Direct to concentrations of credit risk consist principally of cash and cash equivalents. Cops Direct maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. Cops Direct manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy. To date, Cops Direct has not experienced losses in any of these accounts.

Accounts and Contributions Receivable – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization, if applicable, is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Notes to Financial Statements
June 30, 2021 and 2020

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

Fair Value Measurements – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions.

The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Cops Direct groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1

Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2

Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3

Unobservable inputs that cannot be corroborated by observable market data.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing model of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

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 of 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, 2021 and 2020

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

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Thus, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions

Net assets without donor restrictions represent funds available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, net assets for an operating reserve or board-designated endowment, but it has opted not to do so as of June 30, 2021.

Net Assets with Donor Restrictions

Net assets with donor restrictions represent funds subject to donor- (or certain grantor-) 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 can be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Donated Services and In-Kind Contributions – Contributed services and costs are reflected at the 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 may contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Functional Allocation of Expenses - The costs of providing program and other activities have been summarized on a functional basis in the statement of activities in accordance with the requirements of *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, which requires Cops Direct to report expenses by their natural classification. Every natural expense must be broken out into individual functional categories on an analysis of expenses by their nature and function. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. Certain expenses, such as salaries, payroll taxes and related costs, telephone and communications, and other overhead have been allocated based on time and effort using Cops Direct's payroll allocations. Other expenses, such as professional fees, product acquisition, and other direct costs have been allocated in accordance with the specific services received from vendors. Expenses related to Cops Direct's direct mail activity were allocated in accordance with *ASC 958.720, Other Expenses of Not-for-Profit Entities*. Additional information related to joint costs is provided in Note 8.

Notes to Financial Statements
June 30, 2021 and 2020

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

Revenue and Revenue Recognition – Revenue is recognized in accordance with authoritative guidance, including *ASU 2018-08, Not-for-Profit Entities (Topic 958)* and *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. If applicable, conditional promises to give are not recognized until the conditions on which they depend have been substantially met. When applicable, revenue earned under a contractual arrangement (an “exchange transaction”) is recognized when earned and therefore measured as services are provided.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

Income Taxes – Cops Direct is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. Cops Direct is required to annually file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose. Cops Direct files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income, if applicable.

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.

Recent and Relevant Accounting Pronouncements – The following pronouncements represent relevant current accounting guidance applicable to nonprofit organizations:

In August 2016, the FASB issued *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Cops Direct has adopted ASU 2016-14.

In February 2016, the FASB issued *ASU 2016-02, Leases (Topic 842) Accounting for Leases*, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. This new pronouncement is effective for fiscal years beginning after December 15, 2021, and early adoption is permitted. Cops Direct is currently assessing the impact that adoption of ASU 2016-02 will have on its financial statements.

Notes to Financial Statements
June 30, 2021 and 2020

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

Recent and Relevant Accounting Pronouncements *(continued)* – In August 2014, the FASB issued *ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern*, which requires an organization’s management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity’s ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). As of April 8, 2022 (the date of the Independent Auditors’ Report), management has made this evaluation and has determined that Cops Direct has the ability to continue as a going concern.

In May 2014, the FASB completed its Revenue Recognition project by issuing *ASU 2014-09, Revenue from Contracts with Customers (Topic 606)*. This guidance establishes the principles to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue from contracts with customers. The guidance (1) Removes inconsistencies and weaknesses in existing revenue requirements, (2) Provides a more robust framework for addressing revenue issues, (3) Improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, (4) Provides more useful information to users of financial statements through improved disclosure requirements, and (5) Simplifies the preparation of financial statements by reducing the number of requirements to which an organization must refer.

In June 2018, the FASB issued *ASU 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB issued this update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Accordingly, Cops Direct has incorporated these clarifying standards within the audited financial statements.

Reclassifications – Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

3. **Cash and Cash Equivalents**

Cash and cash equivalents of \$431,949 and \$230,806 at June 30, 2021 and 2020, respectively, consist of funds in checking and money market accounts that have maturity dates of 90 days or less. At times, cash account balances 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.

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Notes to Financial Statements June 30, 2021 and 2020

4. Liquidity

Cops Direct regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. Cops Direct's primary source of liquidity is its cash and cash equivalents. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Cops Direct considers all expenditures related to its ongoing support of law enforcement agencies to be general expenditures.

In addition to the financial assets available to meet general expenditures over the next 12 months, Cops Direct operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of Cops Direct's cash and shows positive cash generated by operations for the years ended June 30, 2021 and 2020.

The following table shows the total financial assets held by Cops Direct and the amount of those financial assets readily available within one year of the balance sheet date to meet general expenditures:

	2021		2020
Cash and cash equivalents	\$ 431,949	\$	230,806
Accounts receivable	7,683		-
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 439,632</u>	\$	<u>230,806</u>

Cops Direct's cash and cash equivalents of \$431,949 and \$230,806 at June 30, 2021 and 2020 are readily available within one year of the balance sheet date to meet general expenditures. As part of Cops Direct's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

5. Prepaid Expenses

Prepaid expenses of \$83,600 and \$9,002 at June 30, 2021 and 2020, respectively, consist of amounts paid for certain direct mail campaigns which benefit the subsequent fiscal year.

6. Occupancy and Related Parties

Cops Direct shares office premises in San Ramon, California with Troops Direct (a related entity) under a month-to-month operating agreement. During the year ended June 30, 2021, Cops Direct reimbursed Troops Direct a total of \$15,000 for shared rent. There was no rent expense for the year ended June 30, 2020.

One of Cops Direct's board members is the founder and CEO of Tactical Medical Solutions, Inc. (TacMed), a vendor used by Cops Direct when purchasing items requested by law enforcement agencies. During the years ended June 30, 2021 and 2020, Cops Direct remitted payments totaling \$337,564 and \$99,559, respectively, to TacMed.

**Notes to Financial Statements
June 30, 2021 and 2020**

7. Marketing and Promotion

Marketing and promotion costs are expensed as incurred. Marketing and promotion expenses amounted to \$15,832 and \$10,342 for the years ended June 30, 2021 and 2020, respectively, and are reflected on the statements of functional expenses.

8. Allocation of Joint Costs

Cops Direct follows the provisions of *ASC 958.720, Other Expenses of Not-for-Profit Entities*. Under ASC 958.720, Cops Direct incurred allocable joint costs of \$1,885,530 and \$1,045,379 for the informational materials and activities that included direct mail fundraising appeals during the years ended June 30, 2021 and 2020, respectively. Of those costs, \$850,430 and \$502,698 were allocated to program services (for a call to action), \$107,545 and \$64,768 were allocated to general and administrative, and \$927,555 and \$477,913 were allocated to fundraising expenses during the years ended June 30, 2021 and 2020, respectively. These allocations were based on independent analyses of the costs pertaining to the underlying expenses which were associated with various mailings.

9. COVID-19 Related Funding

PPP Loan Program

During April 2021, Cops Direct received \$17,082 in a forgivable loan under the Small Business Administration (SBA) Paycheck Protection Program (“PPP”). Congress established the PPP to provide relief to small businesses during the coronavirus pandemic as part of the \$2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. This legislation authorized the United States Treasury Department to use the SBA’s 7(a) small business lending program to fund loans of up to \$10 million per borrower, which qualifying entities can spend to cover payroll, interest, rent, and utilities.

Under the guidance in *FASB ASC 958-605*, management recorded this forgivable loan as a refundable advance. Cops Direct expended the funds (and continues to utilize the proceeds) for payroll, operating overhead, and other eligible costs in accordance with its agreements with the SBA. In January 2022, subsequent to year-end, Cops Direct received full forgiveness of this PPP loan.

Economic Injury Disaster Loan

In September 2021, (subsequent to year-end), Cops Direct entered into a loan agreement with the U.S. Small Business Administration (SBA) under its Economic Injury Disaster Loan (EIDL) assistance program in light of the impact COVID-19 on its operations. The principal amount of this loan is \$1,969,500 and is to be used for working capital purposes. The loan is collateralized by business assets and matures in 30 years. Interest accrues at the rate of 2.75% per annum with installment payments of \$8,580 due monthly beginning April 17, 2023 (eighteen months from the date of the loan agreement). The balance of principal and interest is payable thirty years from the date of the loan.

Notes to Financial Statements
June 30, 2021 and 2020

10. Commitments and Contingencies

In the normal course of business, Cops Direct could be subject to certain commitments and contingencies, such as commitments to enter into contracts, which might not be fully reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Grant restrictions and donor conditions which obligate Cops Direct to fulfill certain requirements as set forth in grant instruments, (b) Funding levels which vary based on factors beyond Cops Direct's control, such as generosity of donors and general economic conditions, (c) Employment and service agreements with key management and operating personnel, and (d) Financial risks associated with funds on deposit at bank accounts. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements.

11. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of *ASC 710.25, Compensated Absences*. Under ASC 710.25, Cops Direct is required to record a liability for the estimated amounts of compensation and related benefits under existing employment laws. As accrued vacation and sick leave is not paid upon termination, there were no accrued payroll liabilities at June 30, 2021 or 2020.

12. COVID-19

As a result of COVID-19 and its variants, the worldwide threat continues to (a) impact financial markets, (b) threaten revenue streams, and (c) impact private enterprises with which Cops Direct conducts business. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, continues to present challenges. Management continues to monitor and evaluate its options. These financial statements reflect certain economic ramifications which impacted the year ended June 30, 2021.

13. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, Cops Direct has evaluated subsequent events through April 8, 2022, the date the financial statements were available to be issued. As discussed in Note 9, Cops Direct entered into an Economic Injury Disaster Loan agreement in the amount of \$1,969,500 which will require monthly payments of principal and interest equaling \$8,580 beginning April 17, 2023. As also discussed in Note 9, Cops Direct received full forgiveness of its PPP loan in January 2022. In the opinion of management, there are no other subsequent events which are required to be disclosed.