



COPS DIRECT

(A California Nonprofit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2022



COPS DIRECT

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Independent Auditors' Report

The Board of Directors
Cops Direct

Opinion

We have audited the accompanying financial statements of Cops Direct (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2022, 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 Cops Direct as of June 30, 2022, 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 Cops Direct 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 Cops Direct's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

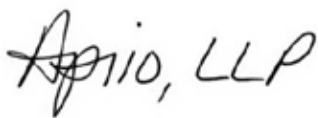
Auditor's Responsibilities for the Audit of the Financial Statements

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 Cops Direct'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 Cops Direct'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.

A handwritten signature in black ink that reads "Aprio, LLP". The signature is written in a cursive, stylized font.

San Francisco, California
June 29, 2023

COPS DIRECT

STATEMENT OF FINANCIAL POSITION - JUNE 30, 2022

ASSETS

CURRENT:

Cash and cash equivalents	\$ 2,252,036
Prepaid expenses	<u>37,922</u>

TOTAL ASSETS (ALL CURRENT)	<u><u>\$ 2,289,958</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	<u>\$ 88,464</u>
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TOTAL CURRENT LIABILITIES	<u>88,464</u>
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LONG TERM LIABILITIES

Long term debt, net	1,969,000
Accrued interest	<u>41,121</u>

TOTAL LONG TERM LIABILITIES	<u>2,010,121</u>
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TOTAL LIABILITIES	<u>2,098,585</u>
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NET ASSETS:

Without donor restrictions	<u>191,373</u>
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TOTAL NET ASSETS	<u>191,373</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,289,958</u></u>
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See notes to financial statements.

COPS DIRECT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Direct mail contributons	\$ 2,566,280	\$ -	\$ 2,566,280
General contributions	77,140	-	77,140
List loyalty revenue	29,481	-	29,481
Interest income	19	-	19
	<u>2,672,920</u>	<u>-</u>	<u>2,672,920</u>
REVENUE	<u>2,672,920</u>	<u>-</u>	<u>2,672,920</u>
EXPENSES:			
Program services	1,450,127	-	1,450,127
Management and general	289,352	-	289,352
Fundraising	1,057,157	-	1,057,157
	<u>2,796,636</u>	<u>-</u>	<u>2,796,636</u>
TOTAL EXPENSES	<u>2,796,636</u>	<u>-</u>	<u>2,796,636</u>
CHANGE IN NET ASSETS	(123,716)	-	(123,716)
NET ASSETS, beginning of year	<u>315,089</u>	<u>-</u>	<u>315,089</u>
NET ASSETS, end of year	<u>\$ 191,373</u>	<u>\$ -</u>	<u>\$ 191,373</u>

See notes to financial statements.

COPS DIRECT

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and related expenses:				
Salaries and wages	\$ 135,050	\$ 23,950	\$ 48,750	\$ 207,750
Payroll taxes	10,918	1,936	3,942	16,796
Total salaries and related expenses	145,968	25,886	52,692	224,546
Direct mail expenses	991,866	5,847	986,972	1,984,685
Supplies purchased then donated to support Cops	263,713	-	-	263,713
Professional fees	-	129,775	-	129,775
Interest expense	-	40,621	-	40,621
Supplies	25,853	4,585	9,332	39,770
Travel	-	32,541	-	32,541
Dues and subscriptions	-	30,056	-	30,056
Rent	18,144	3,218	6,550	27,912
Meals and entertainment	-	6,267	-	6,267
Insurance	-	2,781	-	2,781
Bank fees	-	2,564	-	2,564
Postage and shipping - Cop Supplies to Cops	2,561	-	-	2,561
Taxes, licenses and fees	-	2,489	-	2,489
Information technology	-	2,338	-	2,338
Training (Cops) supplies and equipment	1,419	-	-	1,419
Advertising	-	-	1,393	1,393
Telephone and internet	603	107	218	928
Printing	-	277	-	277
TOTAL EXPENSES	\$ 1,450,127	\$ 289,352	\$ 1,057,157	\$ 2,796,636

See notes to financial statements.

COPS DIRECT

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (123,716)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Changes in:	
Accounts receivable	7,683
Prepaid expenses	45,678
Deposits and other assets	31,312
Accounts payable	(133,909)
Accrued interest	41,121
Refundable advance	(17,082)
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NET CASH USED BY OPERATING ACTIVITIES	(148,913)
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CASH FLOWS FROM INVESTING ACTIVITIES	-
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CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from long-term debt	1,969,000
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NET CASH PROVIDED BY FINANCING ACTIVITIES	1,969,000
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NET INCREASE IN CASH AND CASH EQUIVALENTS	1,820,087
CASH AND CASH EQUIVALENTS, beginning of year	431,949
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CASH AND CASH EQUIVALENTS, end of year	\$ 2,252,036
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See notes to financial statements.

COPS DIRECT

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022

Note 1. ORGANIZATION AND NATURE OF ACTIVITIES:

Cops Direct, “the Organization,” was established in September 2016 as a California nonprofit corporation. Cops Direct is a 501(c)(3) nonprofit 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.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, revenues are recorded when rights to receive them are earned, or when services have been provided, and expenditures are recorded when an obligation to pay is incurred.

Basis of presentation:

The Organization reports information regarding its financial position and activities on an accrual basis according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net assets without donor restriction – Net assets that are not subject to donor-imposed restrictions. These also may be designated for specific purposes by action of the Board of Directors.

Net assets with donor restriction – Net assets that are subject to donor-imposed stipulations that may be fulfilled by actions of the Organization to meet the stipulations or that become net assets without donor restriction at the date specified by the donor.

Net assets released from donor restriction – Net assets with donor restriction are “released” to net assets without donor restriction when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed.

Revenues or support are reported as increases in net assets without donor restriction unless subject to donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless restricted by explicit donor stipulation or by law.

COPS DIRECT

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Revenue recognition:

Contributions and grants:

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. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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. Donor-restricted contributions where restrictions are met in the same reporting period in which they are contributed are reported as net assets without donor restrictions.

Contributed property and equipment:

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Donated services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization.

Additionally, volunteers donate a significant amount of time to the Organization's program services. The fair value of these donated services are not recognized in the statement of activities since they do not meet the criteria for recognition under generally accepted accounting principles.

Cash and cash equivalents:

Cash and cash equivalents include all monies in accounts and highly liquid investments with maturity dates of less than three months. Cash equivalents include short-term interest-bearing investments in money market and liquid asset accounts. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Fixed assets:

Fixed assets are recorded at cost if purchased and at fair market value on the date of donation if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The Organization capitalizes individual assets with cost of \$5,000 or greater.

COPS DIRECT

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Impairment of long-lived assets:

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators are present.

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.

Income taxes:

The Organization is exempt from Federal and State Income taxes under Internal Revenue Code Section 501(c)(3) and California Franchise Tax Board Code Section 23701d. Therefore, no provision for income taxes has been made in the accompanying financial statements. In addition, the Internal Revenue Service has determined the Organization is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Management of the Organization considers the likelihood of changes by taxing authorities in its filed tax returns and recognizes a liability for or discloses potential significant changes if management believes it is more likely than not for a change to occur, including changes to the Organization's status as a not-for-profit entity. Management believes the Organization met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax. The Organization's tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

Functional allocation of expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services. Program service expenses are tracked on a project-by-project basis, and those costs not directly associated with a project are allocated to administration and general expenses. Such allocations are determined by management on an equitable basis.

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NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Advertising expenses:

Advertising marketing expenses are expenses as incurred. Advertising expenses were \$1,393 as of June 30, 2022.

Shipping expenses:

The Organization expenses shipping fees as they are incurred. Shipping expenses were \$2,561, as of June 30, 2022.

Recent accounting pronouncements:

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The new standard will supersede much of the existing authoritative literature for leases. This guidance requires lessees, among other things, to recognize right-of-use assets and liabilities on their statement of financial position for all leases with lease terms longer than twelve months. The standard will be effective for non-public business entities for fiscal years beginning after December 15, 2021 with early application permitted. The Organization is currently evaluating the impact this guidance will have on its financial statements.

Subsequent events:

In preparing these financial statements, the Organization's management has evaluated events and transactions for potential recognition or disclosure through June 29, 2023 the date the financial statements were available for issuance.

Note 3. NATURE 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.

Note 4. CONCENTRATIONS OF CREDIT RISK:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization maintains cash balances at two commercial banks, and these balances can exceed the FDIC insured deposit limit of \$250,000 per financial institution. At June 30, 2022, the Organization's cash balances held at the commercial banks exceeded the FDIC limit by \$1,701,182. The Organization has not experienced any losses through the date when the financial statements were available to be issued.

Note 5. LIQUIDITY:

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. The Organization'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, the Organization considers all expenditures related to its ongoing support of law enforcement agencies to be general expenditures.

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NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022

Note 5. LIQUIDITY (Continued):

In addition to the financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

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

Financial assets, at year-end:	
Cash and cash equivalents	<u>\$ 2,252,036</u>
Total	2,252,036
Less those unavailable for general expenditures within one year due to:	
Restricted by donor with time or purpose restrictions	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,252,036</u></u>

Note 6. LEASE COMMITMENTS:

The Organization rents office space through July 2022 for approximately \$2,650/month. The lease was extended to month to month at the same rate while another agreement is currently being negotiated. Rental expense was approximately \$27,912 for the year ended June 30, 2022. Future minimum rental payments under all operating leases is \$2,650 as of June 30, 2022.

Note 7. LONG TERM DEBT:

Long term debt consisted of the following at June 30, 2022:

EIDL note payable, payments begin 30 months from date of promissory note, balance and interest will be payable within 30 years from date of the promissory note. Interest accrues at 2.75% and be payable monthly after 30 months in installments at approximately \$8,753/month (Principal and interest) through January 2054.	\$ 1,969,000
Accrued interest	<u>41,121</u>
Total long term debt	2,010,121
Less current maturities	<u>-</u>
Total	<u><u>\$ 2,010,121</u></u>

COPS DIRECT

NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2022

Note 7. LONG TERM DEBT (Continued):

The future schedule maturities of long term debt are as follows:

<u>June 30:</u>	
2023	\$ -
2024	15,128
2025	46,223
2026	47,510
2027	48,833
After	<u>1,811,306</u>
Total	<u>\$ 1,969,000</u>

Note 8. JOINT COSTS:

The Organization achieves its programmatic, management, and general goals in direct mail campaigns that include requests for contributions. The costs of conducting the campaigns include a total of \$1,984,685 of joint costs that are not directly attributable to either program, or management and general components or the fundraising component of activities for the year ended June 30, 2022.

The joint costs were allocated as follows at June 30, 2022:

Program	\$ 991,866
Management	5,847
Fundraising	<u>986,972</u>
	<u>\$ 1,984,685</u>

Note 9. RELATED PARTIES:

The Organization shares office premises in San Ramon, California with another nonprofit with a common Executive Director. The original office space was rented through October 2021 and costs reimbursed to Troops Direct as of June 30, 2022 was \$5,789. A new shared office space was rented in November 2021 through the fiscal year end. This lease is currently paid directly by each Organization at fifty percent of the monthly rent due. This new space is subleased from a relative of the Executive Director. Total rent expense related to this lease was \$14,394 as of June 30, 2022. The Organization, as of June 30, 2022, acquired tourniquets to be used in their cops program from this related entity at approximate fair value of \$15,000. Additionally, all funds due/to from this entity were donated at year end for a total contribution received of approximately \$657.

One of the Organization's board members is the founder and CEO of a vendor which supplies goods for the Program when the Organization is purchasing items requested by law enforcement agencies. During the year ended June 30, 2022, the Organization remitted payments totaling \$233,099 to this vendor.

The Organization, as of June 30, 2022, paid \$13,250 to a professional company for consulting fees. This company is owned and operated by an individual with direct familial relations to the Executive Director.