

**VIRGINIA SHERIFFS'
INSTITUTE, INC.**
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

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Independent Auditors' Report

To the Honorable Members of the Board of Directors
Virginia Sheriffs' Institute, Inc.
Richmond, VA

We have audited the accompanying financial statements of Virginia Sheriffs' Institute, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Virginia Sheriffs' Institute, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 10 to the financial statements, in 2020, Virginia Sheriffs' Institute, Inc. adopted new accounting guidance, FASB ASU 2014-09 (Topic 606), *Revenue from Contracts with Customers*. Our opinion is not modified with respect to this matter.

Robinson, Farmer, Cox Associates

Richmond, Virginia
September 18, 2020

FINANCIAL STATEMENTS

VIRGINIA SHERIFFS' INSTITUTE, INC.
Statement of Financial Position
June 30, 2020

ASSETS

Current assets:

Cash	\$	98,037
Prepaid expenses		155
		155
Total current assets	\$	98,192

Noncurrent assets:

Investments:

Mutual funds	\$	193,424
Money market funds		69,524
Government obligations		77,350
Common stock		1,353,606
Corporate bonds		153,390
		153,390
Total investments	\$	1,847,294

Property and Equipment:

Equipment	\$	9,729
Accumulated depreciation		8,227
		8,227
Net property and equipment	\$	1,502

Total noncurrent assets	\$	1,848,796
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Total assets	\$	1,946,988
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LIABILITIES AND NET ASSETS

Liabilities

Current liabilities:

Accounts payable	\$	43,504
		43,504
Total liabilities	\$	43,504

Net assets

Net assets without donor restrictions	\$	1,682,949
Net assets with donor restrictions		220,535
		220,535
Total net assets	\$	1,903,484
Total liabilities and net assets	\$	1,946,988

The accompanying notes to financial statements are an integral part of this statement.

VIRGINIA SHERIFFS' INSTITUTE, INC.
Statement of Activities
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions	\$ 438,762	\$ -	\$ 438,762
Interest and dividends	15,015	3,071	18,086
DMV license plate	68,520	-	68,520
Newsletter donation	205,228	-	205,228
Prospect mailing	225,781	-	225,781
Special appeal	90,333	-	90,333
Certification fees	2,500	-	2,500
Other	27,652	-	27,652
Net realized and unrealized gains (losses) on investments	59,114	(1,348)	57,766
Total revenues, gains and other support	\$ 1,132,905	\$ 1,723	\$ 1,134,628
Expenses:			
Program services:			
Conferences, education, and training	\$ 635,364	\$ -	\$ 635,364
Quarterly newsletter	83,349	-	83,349
VSI certification	34,469	-	34,469
VSI scholarships	75,712	-	75,712
Total program services	828,894	-	828,894
Supporting services:			
Management and general	\$ 84,469	\$ -	\$ 84,469
Fundraising	237,834	-	237,834
Total supporting services	\$ 322,303	\$ -	\$ 322,303
Total expenses	\$ 1,151,197	\$ -	\$ 1,151,197
Change in net assets	\$ (18,292)	\$ 1,723	\$ (16,569)
Net assets, beginning of year	1,701,241	218,812	1,920,053
Net assets, end of year	\$ 1,682,949	\$ 220,535	\$ 1,903,484

The accompanying notes to financial statements are an integral part of this statement.

VIRGINIA SHERIFFS' INSTITUTE, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program Services			
	Conferences, Education, and Training	Quarterly Newsletter	VSI Certification	VSI Scholarships
VSA management fee	\$ 216,900	\$ 5,000	\$ 5,000	\$ 10,000
Scholarships	-	-	-	62,217
Board of Directors meeting	-	-	-	-
Certification program	-	-	29,469	-
Conferences	42,193	-	-	-
Data processing fee	4,739	-	-	-
Direct mail fees	23,225	-	-	-
Dues and memberships	9,500	-	-	-
Information technology	9,896	-	-	-
Insurance	-	-	-	-
Law enforcement census	7,000	-	-	-
Law Enforcement Memorial donation	72,520	-	-	-
Lawful employment training	12,130	-	-	-
Newsletters	-	78,349	-	-
Office	13,797	-	-	-
Professional fees	28,020	-	-	-
Communications & PR services	58,818	-	-	-
Renewal and report to members	68,848	-	-	-
Sheriffs' School	50,668	-	-	-
Sponsorships	7,500	-	-	-
Software	-	-	-	3,495
Depreciation	1,502	-	-	-
Travel	2,458	-	-	-
Other	5,650	-	-	-
Total expenses	\$ <u>635,364</u>	\$ <u>83,349</u>	\$ <u>34,469</u>	\$ <u>75,712</u>

The accompanying notes to financial statements are an integral part of this statement.

Exhibit 3

Total Program Services	Supporting Services		
	Management and General	Fundraising	Total
\$ 236,900	\$ 36,022	\$ 2,853	\$ 275,775
62,217	-	-	62,217
-	3,637	-	3,637
29,469	-	-	29,469
42,193	-	-	42,193
4,739	4,739	-	9,478
23,225	-	209,336	232,561
9,500	250	-	9,750
9,896	-	-	9,896
-	1,703	-	1,703
7,000	-	-	7,000
72,520	-	-	72,520
12,130	-	-	12,130
78,349	-	-	78,349
13,797	5,575	-	19,372
28,020	20,610	25,645	74,275
58,818	47	-	58,865
68,848	-	-	68,848
50,668	-	-	50,668
7,500	-	-	7,500
3,495	-	-	3,495
1,502	-	-	1,502
2,458	2,369	-	4,827
5,650	9,517	-	15,167
<u>\$ 828,894</u>	<u>\$ 84,469</u>	<u>\$ 237,834</u>	<u>\$ 1,151,197</u>

VIRGINIA SHERIFFS' INSTITUTE, INC.
Statement of Cash Flows
For the Year Ended June 30, 2020

Cash flows from operating activities:		
Change in net assets	\$	(16,569)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation		1,502
Net realized and unrealized (gains) losses on investments		(57,766)
(Increase) decrease in assets:		
Prepaid expenses		(155)
Increase (decrease) in liabilities:		
Accounts payable		<u>(18,085)</u>
Net cash provided by (used for) operating activities	\$	<u>(91,073)</u>
Cash flows from investing activities:		
Purchase of investments	\$	(297,552)
Proceeds from sale of investments		397,320
Dividends and investment income reinvested		<u>(18,085)</u>
Net cash provided by (used for) investing activities	\$	<u>81,683</u>
Net increase (decrease) in cash	\$	(9,390)
Cash, beginning of year		<u>107,427</u>
Cash, end of year	\$	<u><u>98,037</u></u>

VIRGINIA SHERIFFS' INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - DESCRIPTION AND PURPOSE OF ORGANIZATION:

Virginia Sheriffs' Institute, Inc. is a not-for-profit organization exempt under Section 501(c)(3) of the U.S. Internal Revenue Code. The Institute has been classified as a publicly supported organization that is not a private foundation under Section 509 of the Code.

The Institute provides information to sheriffs on legislative matters and other actions taken by the State Government relating to their offices. The Institute also provides information to the general public on matters relating to the office of sheriff and to inform them on matters of law enforcement and criminal justice, and to promote better understanding of the Sheriffs' office.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The Institute maintains its records and prepares its financial statements on the accrual basis of accounting; consequently, income and related assets are recognized when earned rather than when received; and expenses are recognized when the obligation is incurred rather than when paid. As Institute dues, renewals and prospective membership mailings are not earned until the revenue is received, these revenues are not subject to accrual. During the course of the fiscal year ended June 30, 2020, the Institute did not have any significant revenue that was subject to accruals.

Financial Statement Presentation

The Institute is required to report information regarding its financial position and activities according to the following two classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Net assets without donor restriction - Net assets that are not subject to any donor-imposed stipulations. At June 30, 2020, the Institute had \$1,682,949 in net assets without donor restrictions.

Net assets with donor restrictions - Net assets subject whose use is limited by donor-imposed restrictions. Some of these restrictions may be met either by actions of the Institute or the passage of time. At June 30, 2020, the Institute had net assets with donor restrictions of \$220,535.

Tax Exempt Status

The Institute files Form 990, Return of Organization Exempt from Income Tax, annually with the Internal Revenue Service.

Contributions

Contributions received are recorded as with or without donor restrictions, depending on the existence or nature of any donor restrictions.

VIRGINIA SHERIFFS' INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 (Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consists of cash on hand, cash in banks and certificates of deposit with original maturities of three months or less from date of acquisition.

Property and Equipment

Acquisitions of property and equipment in excess of \$5,000 are capitalized. Property and equipment are reported at cost or if donated at the approximate fair value at the date of donation. Depreciation is computed on the straight-line method. Equipment is depreciated over a three to five year period. Depreciation expense for the year ended June 30, 2020 was \$1,502.

Investments

Investments in the marketable securities are reported at fair market value in the statement of financial position. Unrealized gains and losses are included in the change in the net assets in the accompanying statement of activities. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Functional Allocation of Expenses

The costs of providing the services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Functional expenses are apportioned between program and supporting services based on personnel time and space utilized for the related activities. Some expense apportionments are estimated because of the overlap of activities and the difficulty of record keeping for usage. Specifically identifiable expenses are allocated.

NOTE 3 - NET ASSETS WITH DONOR RESTRICTIONS:

A majority of the net assts with donor restrictions at June 30, 2020 are related to an Institute scholarship fund.

VIRGINIA SHERIFFS' INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 (Continued)

NOTE 3 - NET ASSETS WITH DONOR RESTRICTIONS: (Continued)

Net assets with donor restrictions available for the following purposes or periods:

Virginia Sheriffs' Institute scholarships	\$	198,524
Death benefits		1,177
Endowment fund (see Note 12)		20,834
Total	\$	<u>220,535</u>

NOTE 4 - AFFILIATED ORGANIZATION:

The Institute purchases management services from Virginia Sheriffs' Association, Inc., an affiliated organization, on an arms-length basis. For the year ended June 30, 2020, the Institute recorded payments totaling \$275,775 to the Association for management and operation of its activities and other expenses.

NOTE 5 - PROPERTY AND EQUIPMENT:

Property and equipment, as of June 30, 2020, is summarized as follows:

Equipment	\$	9,729
Less: Accumulated depreciation		<u>(8,227)</u>
Net property and equipment	\$	<u>1,502</u>

NOTE 6 - CONCENTRATION OF CREDIT RISK:

The Institute maintains its unrestricted cash balance in a bank which is insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2020, the Institute had no uninsured cash balance.

NOTE 7 - FAIR VALUE MEASUREMENTS:

The fair value framework requires the categorization of assets and liabilities into three levels based upon assumptions (inputs) used to price the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management or fund manager judgment. The three levels are defined as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2: Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.
- Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability; supported by little or no market activity and significant to the fair value of the assets and liabilities.

VIRGINIA SHERIFFS' INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2020 (Continued)

NOTE 7 - FAIR VALUE MEASUREMENTS: (Continued)

	Fair Value Measurements at Reporting Date Using	
	Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)
Common stock	\$ 1,353,606	\$ 1,353,606
Corporate bonds	153,390	153,390
Money market funds	69,524	69,524
Government obligations	77,350	77,350
Mutual funds	193,424	193,424
Total	\$ <u>1,847,294</u>	\$ <u>1,847,294</u>

NOTE 8 - TRADEMARK:

The Institute has a valid trademark for their Service Mark and Design with the United States Patent and Trademark Office (USPTO) through March 4, 2023. Management plans to renew the trademarks for another 10-year period prior to their expiration. The Service Mark and Design registration numbers are 2,692,641 and 2,692,645, respectively. Management has determined that all costs for these trademarks have been expensed and, therefore, no amounts are reported for the trademarks in the statement of financial position.

NOTE 9 - VSI CERTIFICATION PROGRAM:

The Virginia Sheriffs' Institute (VSI), in cooperation with the Virginia Sheriffs' Association (VSA), the Performance Management Group at the L. Douglas Wilder School of Government and Public Affairs at Virginia Commonwealth University (VCU) and the Virginia Center for Policing Innovation (VCPI), has developed the VSI Certification Program to promote, recognize and elevate the continued individual professional development of Virginia's sheriffs and deputies.

For the year ended June 30, 2020, fees received in connection with the VSI Certification program were \$2,500.

NOTE 10 - NEW ACCOUNTING PRONOUNCEMENT:

In 2020, the Institute adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The major changes associated with ASU 2014-09 for VSI are to reclassify any provision for uncollectible accounts and combine it with membership and royalty revenue and to provide enhanced disclosures related to Revenue from Contracts with Customers. The adoption had no material effect on the statements of the Institution and no restatement was required.

VIRGINIA SHERIFFS' INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 (Continued)

NOTE 11 - LIQUIDITY AND AVAILABILITY:

The Institute monitors its liquidity so that it can meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Institute's written investment policy objective is to invest for the long term and to accept a level of portfolio risk that is consistent with achieving long term growth and the preservation of capital. The Institute has the following financial assets that could be readily available within one year of the balance sheet date to fund expenses without limitations:

Cash and cash equivalents	\$	98,037
Investments		1,847,294
Endowment fund (Note 12)		(20,834)
Scholarship fund		(198,524)
Death benefits		(1,177)
	\$	<u>1,724,796</u>

Investments held by in the Virginia Sheriffs' Institute's Endowment Fund (see Note 12) and those investments restricted by donors to pay for scholarships and death benefits are considered non-liquid.

NOTE 12 - ENDOWMENT FUND:

In 2000, the Institute implemented the Virginia Sheriffs' Institute's Endowment Fund (hereafter referred to as the "Endowment Fund") to provide the public with the opportunity to make a charitable gift that became a permanent endowment of financial support for the Institute. Conditions of the Endowment Fund states that programs supported are limited to training and scholarships and that only earnings from the gift can be spent. The principal amount is kept in the endowment permanently, thus providing funds forever.

Investments in the Endowment Fund are donor restricted until the restriction is released for payments of training or scholarships, which is consisted with § 64.2-1102 of the Code of Virginia. Management believes they are in compliance, in all aspects, with the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

The following is activity in the Endowment Fund for the year ended June 30, 2020:

Balance as of 7/1/2019	\$	21,407
Realized and unrealized gain (loss)		(1,108)
Interest and dividends		535
Balance as of 6/30/2020	\$	<u>20,834</u>

NOTE 13 - EVENT CANCELLATIONS:

Due to COVID-19, the Spring 2020 conference sponsored by VSI was canceled. Most registrant fees were refunded while some retained and are reported as donations.

VIRGINIA SHERIFFS' INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2020 (Continued)

NOTE 14 - SUBSEQUENT EVENTS:

In preparing these financial statements, management of the Association has evaluated events and transactions for potential recognition or disclosure through September 18, 2020, the date the financial statements were available to be issued.

In December 2019, a novel strain of coronavirus disease ("COVID-19") was first reported in Wuhan, China. Less than four months later, on March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The extent of COVID-19's effect on the Institute's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Institute's business. However, if the pandemic continues to evolve into a severe worldwide health crisis, the disease could have a material adverse effect on the Institute's business, results of operations, financial condition and cash flows.

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