

**VIRGINIA SHERIFFS'
INSTITUTE, INC.**
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To the Honorable Members of the Board of Directors
Virginia Sheriffs' Association, 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, 2019, 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, 2019, 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 the fiscal year ending June 30, 2019, Virginia Sheriffs' Institute, Inc. adopted new account guidance, FASB ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Robinson, Farmer, Cox Associates

Richmond, Virginia
August 21, 2019

FINANCIAL STATEMENTS

VIRGINIA SHERIFFS' INSTITUTE, INC.
Statement of Financial Position
June 30, 2019

ASSETS

Current assets:

Cash	\$	107,427
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Noncurrent assets:

Investments:

Mutual funds	\$	212,319
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Money market funds		99,060
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Government obligations		118,616
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Common stock		1,297,695
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Corporate bonds		143,521
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Total investments	\$	<u>1,871,211</u>
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Property and Equipment:

Equipment	\$	9,729
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Accumulated depreciation		<u>6,725</u>
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Net property and equipment	\$	<u>3,004</u>
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Total noncurrent assets	\$	<u>1,874,215</u>
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Total assets	\$	<u><u>1,981,642</u></u>
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LIABILITIES AND NET ASSETS

Liabilities

Current liabilities:

Accounts payable	\$	<u>61,589</u>
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Total liabilities	\$	<u>61,589</u>
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Net assets

Net assets without donor restrictions	\$	1,701,241
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Net assets with donor restrictions		<u>218,812</u>
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Total net assets	\$	<u>1,920,053</u>
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Total liabilities and net assets	\$	<u><u>1,981,642</u></u>
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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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Members dues	\$ 441,408	\$ -	\$ 441,408
Interest and dividends	29,784	9,923	39,707
Spring conference reimbursements	56,552	-	56,552
DMV license plate	67,200	-	67,200
Newsletter donation	185,626	-	185,626
Prospect mailing	208,987	-	208,987
Special appeal	86,235	-	86,235
Certification fees	2,500	-	2,500
Other	5,563	-	5,563
Net realized and unrealized gains (losses) on investments	114,146	969	115,115
Total revenues, gains and other support	\$ 1,198,001	\$ 10,892	\$ 1,208,893
Expenses:			
Program services:			
Conferences, education, and training	\$ 559,403	\$ -	\$ 559,403
Quarterly newsletter	84,953	-	84,953
VSI certification	28,535	-	28,535
VSI scholarships	102,659	-	102,659
Total program services	775,550	-	775,550
Supporting services:			
Management and general	\$ 91,683	\$ -	\$ 91,683
Fundraising	241,255	-	241,255
Total supporting services	\$ 332,938	\$ -	\$ 332,938
Total expenses	\$ 1,108,488	\$ -	\$ 1,108,488
Change in net assets	\$ 89,513	\$ 10,892	\$ 100,405
Net assets, beginning of year, as restated	1,611,728	207,920	1,819,648
Net assets, end of year	\$ 1,701,241	\$ 218,812	\$ 1,920,053

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, 2019

	Program Services			
	Conferences, Education, and Training	Quarterly Newsletter	VSI Certification	VSI Scholarships
VSA management fee	\$ 129,592	\$ 5,000	\$ 5,000	\$ 10,000
Scholarships	-	-	-	89,659
Board of Directors meeting	-	-	-	-
Certification program	-	-	23,535	-
Conferences	138,821	-	-	-
Data processing fee	4,591	-	-	-
Direct mail fees	27,072	-	-	-
Dues and memberships	9,500	-	-	-
Information technology	12,263	-	-	-
Insurance	-	-	-	-
Law enforcement census	14,600	-	-	-
Law Enforcement Memorial donation	67,200	-	-	-
Lawful employment training	9,663	-	-	-
Newsletters	-	79,953	-	-
Office	8,609	-	-	-
Professional fees	24,737	-	-	-
Communications & PR services	33,000	-	-	-
Renewal and report to members	64,057	-	-	-
Sheriffs' School	338	-	-	-
Sponsorships	10,500	-	-	-
Software	-	-	-	3,000
Depreciation	1,502	-	-	-
Travel	2,149	-	-	-
Other	1,209	-	-	-
Total expenses	\$ <u>559,403</u>	\$ <u>84,953</u>	\$ <u>28,535</u>	\$ <u>102,659</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
\$ 149,592	\$ 32,480	\$ 2,784	\$ 184,856
89,659	-	-	89,659
-	9,079	-	9,079
23,535	-	-	23,535
138,821	-	-	138,821
4,591	4,590	-	9,181
27,072	-	213,733	240,805
9,500	1,520	-	11,020
12,263	-	-	12,263
-	1,823	-	1,823
14,600	-	-	14,600
67,200	-	-	67,200
9,663	-	-	9,663
79,953	-	-	79,953
8,609	8,609	-	17,218
24,737	20,365	24,738	69,840
33,000	-	-	33,000
64,057	-	-	64,057
338	-	-	338
10,500	-	-	10,500
3,000	-	-	3,000
1,502	-	-	1,502
2,149	3,615	-	5,764
1,209	9,602	-	10,811
<u>\$ 775,550</u>	<u>\$ 91,683</u>	<u>\$ 241,255</u>	<u>\$ 1,108,488</u>

VIRGINIA SHERIFFS' INSTITUTE, INC.
Statement of Cash Flows
For the Year Ended June 30, 2019

Cash flows from operating activities:		
Change in net assets	\$	100,405
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		(115,115)
(Increase) decrease in assets:		
Prepaid expenses		3,495
Increase (decrease) in liabilities:		
Accounts payable		<u>33,211</u>
Net cash provided by (used for) operating activities	\$	<u>23,498</u>
Cash flows from investing activities:		
Purchase of investments	\$	(663,403)
Proceeds from sale of investments		718,734
Dividends and investment income reinvested		<u>(39,383)</u>
Net cash provided by (used for) investing activities	\$	<u>15,948</u>
Net increase (decrease) in cash	\$	39,446
Cash, beginning of year		<u>67,981</u>
Cash, end of year	\$	<u><u>107,427</u></u>

VIRGINIA SHERIFFS' INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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, 2019, 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 according to 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, 2019, the Institute had \$1,701,241 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, 2019, the Institute had net assets with donor restrictions of \$218,812.

Tax Exempt Status

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

VIRGINIA SHERIFFS' INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 (Continued)

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

Contributions

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

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 \$1,500 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, 2019 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.

VIRGINIA SHERIFFS' INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 (Continued)

NOTE 3 - NET ASSETS WITH DONOR RESTRICTIONS:

A majority of the net assts with donor restrictions at June 30, 2019 are related to an Institute scholarship fund.

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

Virginia Sheriffs' Institute scholarships	\$	196,243
Death benefits		1,162
Endowment fund (see Note 14)		21,407
Total	\$	<u>218,812</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, 2019, the Institute recorded payments totaling \$184,856 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, 2019, is summarized as follows:

Equipment	\$	9,729
Less: Accumulated depreciation		<u>(6,725)</u>
Net property and equipment	\$	<u>3,004</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, 2019 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, 2019 (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	\$ 1,297,695	\$ 1,297,695
Corporate bonds	143,521	143,521
Money market funds	99,060	99,060
Government obligations	118,616	118,616
Mutual funds	212,319	212,319
Total	<u>\$ 1,871,211</u>	<u>\$ 1,871,211</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, 2019, fees received in connection with the VSI Certification program was \$2,500.

NOTE 10 - NEW ACCOUNTING PRONOUNCEMENT:

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Association has changed the presentation of its financial statements accordingly. The new standard changes the following aspects of the Association's financial statements:

VIRGINIA SHERIFFS' INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 (Continued)

NOTE 10 - NEW ACCOUNTING PRONOUNCEMENT: (Continued)

- The temporarily restricted and permanently restricted net asset classes have been reduced to a single net asset class called *net assets with donor restrictions*.
- The unrestricted net asset class has been changed to *net assets without donor restrictions*.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 13).
- The financial statements include increased disclosures on functional expenses.

	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 1,611,728	\$ -
Temporarily restricted net assets	207,920	-
Net assets without donor restrictions	-	1,611,728
Net assets with donor restrictions	-	207,920
	<u> </u>	<u> </u>
Total net assets	\$ <u>1,819,648</u>	\$ <u>1,819,648</u>

Adoption of the ASU did not result in any reclassification or restatement of net assets.

NOTE 11 - DATE OF MANAGEMENT'S REVIEW:

In preparing these financial statements, management of the Institute has evaluated events and transactions for potential recognition or disclosure through August 21, 2019, the date the financial statements were available to be issued.

NOTE 12 -RESTATEMENT OF BEGINNING NET ASSETS:

The following reclassification of beginning net assets was necessary to properly reflect net assets with donor restrictions as related to the VSI Endowment Fund:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions
Net assets at June 30, 2018, as previously stated	\$ 1,631,794	\$ 187,854
Adjustment to reclassify the contribution balances:		
VSI Endowment	(20,066)	20,066
	<u> </u>	<u> </u>
Net assets at June 30, 2018, as restated	\$ <u>1,611,728</u>	\$ <u>207,920</u>

VIRGINIA SHERIFFS' INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 (Continued)

NOTE 13 - 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	\$	107,427
Investments		1,871,211
Endowment fund (Note 14)		(21,407)
	\$	<u>1,957,231</u>

Investments held by in the Virginia Sheriffs' Institute's Endowment Fund (see Note 14) are considered illiquid.

NOTE 14 - 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, 2019:

Balance as of 7/1/2018	\$	20,066
Realized and unrealized gain (loss)		806
Interest and dividends		535
Balance as of 6/30/2019	\$	<u>21,407</u>