

**VIRGINIA SHERIFFS'
INSTITUTE, INC.**

**FINANCIAL REPORT - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2023**

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Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of Virginia Sheriff's Institute, Inc. (a nonprofit organization), which comprise the statement of assets, statement of functional expenses - modified cash basis, and net assets - modified cash basis as of June 30, 2023, and the related statements of support, revenue and expenses - modified cash basis, and cash flows - modified cash basis 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 assets, liabilities, and net assets of Virginia Sheriff's Institute as of June 30, 2023, and its support, revenue, and expenses and cash flows for the year then ended in accordance with the modified cash basis of accounting described in Note 2.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Virginia Sheriffs' Institute 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.

Change in Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. In 2023, the Institute adopted a policy of preparing its financial statements on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

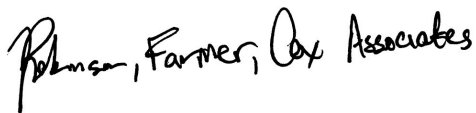
Auditors' Responsibilities for the Audit of the Financial Statements

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 auditors' 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 Virginia Sheriffs' Institute, Inc.'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 Virginia Sheriffs' Institute, Inc.'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.



Richmond, Virginia
August 31, 2023

FINANCIAL STATEMENTS

VIRGINIA SHERIFFS' INSTITUTE, INC.
Statement of Assets and Net Assets - Modified Cash Basis
June 30, 2023

ASSETS

Current assets:

Cash	\$	103,754
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Noncurrent assets:

Investments:

Money market funds	\$	138,289
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Common stock		1,487,899
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Corporate bonds		628,098
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Total investments	\$	<u>2,254,286</u>
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Total noncurrent assets	\$	<u>2,254,286</u>
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Total assets	\$	<u><u>2,358,040</u></u>
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NET ASSETS

Net assets without donor restrictions	\$	2,101,647
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Net assets with donor restrictions		<u>256,393</u>
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Total net assets	\$	<u>2,358,040</u>
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Total liabilities and net assets	\$	<u><u>2,358,040</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 Revenues, Expenses, and Other Changes in Net Assets - Modified Cash Basis
For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions	\$ 521,758	\$ 2,492	\$ 524,250
Interest and dividends	23,280	1,160	24,440
Spring conference	68,100	-	68,100
DMV license plate	57,615	-	57,615
Newsletter donation	224,179	-	224,179
Prospect mailing	197,753	-	197,753
Special appeal	100,370	-	100,370
Certification fees	9,644	-	9,644
Other	7,979	-	7,979
Net realized and unrealized gains (losses) on investments	<u>182,738</u>	<u>12,989</u>	<u>195,727</u>
Total revenues, gains and other support	<u>\$ 1,393,416</u>	<u>\$ 16,641</u>	<u>\$ 1,410,057</u>
Expenses:			
Program services:			
Conferences, education, and training	\$ 886,067	\$ -	\$ 886,067
Quarterly newsletter	102,083	-	102,083
VSI certification	39,735	-	39,735
VSI scholarships	63,150	-	63,150
Total program services	<u>1,091,035</u>	<u>-</u>	<u>1,091,035</u>
Supporting services:			
Management and general	\$ 141,583	\$ -	\$ 141,583
Fundraising	223,307	-	223,307
Total supporting services	<u>\$ 364,890</u>	<u>\$ -</u>	<u>\$ 364,890</u>
Total expenses	<u>\$ 1,455,925</u>	<u>\$ -</u>	<u>\$ 1,455,925</u>
Change in net assets	\$ (62,509)	\$ 16,641	\$ (45,868)
Net assets, beginning of year	<u>2,164,156</u>	<u>239,752</u>	<u>2,403,908</u>
Net assets, end of year	<u>\$ 2,101,647</u>	<u>\$ 256,393</u>	<u>\$ 2,358,040</u>

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

VIRGINIA SHERIFFS' INSTITUTE, INC.
Statement of Functional Expenses - Modified Cash Basis
For the Year Ended June 30, 2023

	Program Services			
	Conferences, Education, and Training	Quarterly Newsletter	VSI Certification	VSI Scholarships
VSA management fee	\$ 237,168	\$ 5,000	\$ 5,000	\$ 10,000
Scholarships	-	-	-	48,000
Board of Directors meeting	7,203	-	-	-
Certification program	-	-	34,735	-
Conferences	252,804	-	-	-
Data processing fee	4,692	-	-	-
Direct mail fees	121,330	-	-	-
Dues and memberships	10,497	-	-	-
Information technology	12,201	-	-	-
Insurance	-	-	-	-
Lawful employment training	19,009	-	-	-
Newsletters	-	97,083	-	-
Office	9,958	-	-	-
Professional fees	3,499	-	-	-
Communications & PR services	102,562	-	-	-
Renewal and report to members	93,125	-	-	-
Sponsorships	7,500	-	-	-
Software	-	-	-	5,150
Travel	4,334	-	-	-
Other	185	-	-	-
Total expenses	<u>\$ 886,067</u>	<u>\$ 102,083</u>	<u>\$ 39,735</u>	<u>\$ 63,150</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
\$ 257,168	\$ 54,753	\$ 4,021	\$ 315,942
48,000	-	-	48,000
7,203	7,203	-	14,406
34,735	-	-	34,735
252,804	-	-	252,804
4,692	4,223	469	9,384
121,330	8,105	204,770	334,205
10,497	997	-	11,494
12,201	1,435	718	14,354
-	5,542	-	5,542
19,009	-	-	19,009
97,083	-	-	97,083
9,958	14,477	663	25,098
3,499	40,935	-	44,434
102,562	-	12,666	115,228
93,125	-	-	93,125
7,500	-	-	7,500
5,150	-	-	5,150
4,334	3,730	-	8,064
185	183	-	368
<u>\$ 1,091,035</u>	<u>\$ 141,583</u>	<u>\$ 223,307</u>	<u>\$ 1,455,925</u>

VIRGINIA SHERIFFS' INSTITUTE, INC.
Statement of Cash Flows - Modified Cash Basis
For the Year Ended June 30, 2023

Cash flows from operating activities:	
Change in net assets	\$ (45,868)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Net realized and unrealized (gains) losses on investments	<u>(195,727)</u>
Net cash provided by (used for) operating activities	\$ <u>(241,595)</u>
Purchase of investments	\$ (950,449)
Proceeds from sale of investments	1,140,342
Dividends and investment income reinvested	<u>(23,488)</u>
Net cash provided by (used for) investing activities	\$ <u>166,405</u>
Net increase (decrease) in cash	\$ (75,190)
Cash, beginning of year	<u>178,944</u>
Cash, end of year	\$ <u><u>103,754</u></u>

VIRGINIA SHERIFFS' INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

In 2023, the Institute made a change in the basis of accounting. The financial statements of the Institute are now prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This basis of presentation differs from GAAP in that certain revenues are recognized when received rather than earned and certain expenses are recognized when paid rather than when the obligation is incurred. The financial statements reflect certain long-term borrowings. The Institute recognizes investment assets at fair value as management believes reporting such investments cost would be misleading to the financial statements as a whole. However, similar to financial statements prepared in accordance with GAAP, these financial statements reflect long-term borrowings. The accompanying financial statements are not intended to present the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

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, 2023, the Institute had \$2,101,647 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, 2023, the Institute had net assets with donor restrictions of \$256,393.

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.

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.

VIRGINIA SHERIFFS' INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2023 (Continued)

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

Property and Equipment

Expenditures for property and equipment are expensed as paid.

Investments

The Association carries investments in marketable securities and investments in financial securities at their fair values in the Statement of Assets and Net Assets - Modified Cash Basis. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Revenues, Expenses, and Other Changes in Net Assets - Modified Cash Basis.

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. Allocation of these expenses are based on hours dedicated to the related program or supporting service. Specifically identifiable expenses are allocated.

NOTE 3 - NET ASSETS WITH DONOR RESTRICTIONS:

A majority of the net assts with donor restrictions at June 30, 2023 are related to an Institute scholarship fund.

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

Virginia Sheriffs' Institute scholarships	\$	231,156
Death benefits		1,223
Endowment fund (see Note 10)		24,014
Total	\$	<u>256,393</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, 2023, the Institute recorded payments totaling \$315,942 to the Association for management and operation of its activities and other expenses.

NOTE 5 - 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, 2023, the Institute had no uninsured cash balance.

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VIRGINIA SHERIFFS' INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2023 (Continued)

NOTE 6 - 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.

	Fair Value Measurements at Reporting Date Using	
	Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)
Common stock	\$ 1,487,899	\$ 1,487,899
Corporate bonds	628,098	628,098
Money market funds	138,289	138,289
Total	\$ 2,254,286	\$ 2,254,286

NOTE 7 - TRADEMARK:

The Institute has valid trademarks for their Service Mark and Design with the United States Patent and Trademark Office (USPTO). 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 8 - 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 National Center for Policing Innovation (NCPI), have 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, 2023, fees received in connection with the VSI Certification program were \$9,644.

VIRGINIA SHERIFFS' INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2023 (Continued)

NOTE 9 - 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	\$ 103,754
Investments	2,254,286
Endowment fund (Note 10)	(24,014)
Scholarship fund	(231,156)
Death benefits	(1,223)
	<u>\$ 2,101,647</u>

Investments held by in the Virginia Sheriffs' Institute's Endowment Fund (see Note 10) and those investments restricted by donors to pay for scholarships and death benefits are considered non-liquid.

NOTE 10 - 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, 2023:

Balance as of 7/1/22	\$ 23,295
Realized and unrealized gain (loss)	(1,697)
Interest and dividends	1,796
Fees	(1,872)
Contributions	2,492
Balance as of 6/30/2023	<u>\$ 24,014</u>

NOTE 11 - SUBSEQUENT EVENTS:

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through August 31, 2023, the date the financial statements were available to be issued.