

**VIRGINIA SHERIFFS’
INSTITUTE, INC.**

**FINANCIAL REPORT - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2024**

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Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of Virginia Sheriff's Institute, Inc. (a nonprofit organization), which comprise the statement of assets and net assets - modified cash basis as of June 30, 2024, and the related statements of support, revenue and expenses and other changes in net assets - modified cash basis, statement of functional 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, 2024, 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.

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.

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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.

Robinson, Farmer, Cox Associates

Richmond, Virginia

August 21, 2024

FINANCIAL STATEMENTS

VIRGINIA SHERIFFS' INSTITUTE, INC.
Statement of Assets and Net Assets - Modified Cash Basis
June 30, 2024

ASSETS

Current assets:

Cash	\$	142,069
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Noncurrent assets:

Investments:

Money market funds	\$	123,821
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Common stock		1,714,855
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Corporate bonds		690,190
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Total investments	\$	<u>2,528,866</u>
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Total noncurrent assets	\$	<u>2,528,866</u>
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Total assets	\$	<u><u>2,670,935</u></u>
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NET ASSETS

Net assets without donor restrictions	\$	2,385,635
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Net assets with donor restrictions		<u>285,300</u>
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Total net assets	\$	<u>2,670,935</u>
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Total liabilities and net assets	\$	<u><u>2,670,935</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, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and other support:			
Contributions	\$ 506,977	\$ -	\$ 506,977
Interest and dividends	29,507	5,533	35,040
Spring conference	107,230	-	107,230
DMV license plate	62,175	-	62,175
Newsletter donation	238,964	-	238,964
Prospect mailing	145,532	-	145,532
Special appeal	87,941	-	87,941
Certification fees	8,550	-	8,550
Other	19,054	-	19,054
Net realized and unrealized gains (losses) on investments	<u>349,203</u>	<u>23,374</u>	<u>372,577</u>
Total revenues, gains and other support	<u>\$ 1,555,133</u>	<u>\$ 28,907</u>	<u>\$ 1,584,040</u>
Expenses:			
Program services:			
Conferences, education, and training	\$ 825,241	\$ -	\$ 825,241
Quarterly newsletter	97,075	-	97,075
VSI certification	50,117	-	50,117
VSI scholarships	61,815	-	61,815
Total program services	<u>1,034,248</u>	<u>-</u>	<u>1,034,248</u>
Supporting services:			
Management and general	\$ 115,726	\$ -	\$ 115,726
Fundraising	121,171	-	121,171
Total supporting services	<u>\$ 236,897</u>	<u>\$ -</u>	<u>\$ 236,897</u>
Total expenses	<u>\$ 1,271,145</u>	<u>\$ -</u>	<u>\$ 1,271,145</u>
Change in net assets	\$ 283,988	\$ 28,907	\$ 312,895
Net assets, beginning of year	<u>2,101,647</u>	<u>256,393</u>	<u>2,358,040</u>
Net assets, end of year	<u>\$ 2,385,635</u>	<u>\$ 285,300</u>	<u>\$ 2,670,935</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, 2024

	Program Services			
	Conferences, Education, and Training	Quarterly Newsletter	VSI Certification	VSI Scholarships
VSA management fee	\$ 199,811	\$ 5,000	\$ 5,000	\$ 10,000
Scholarships	-	-	-	47,500
Board of Directors meeting	1,520	-	-	-
Certification program	-	-	45,117	-
Conferences	131,219	-	-	-
Data processing fee	5,278	-	-	-
Direct mail fees	68,884	-	-	-
Dues and memberships	10,223	-	-	-
Information technology	13,590	-	-	-
Insurance	1,852	-	-	-
Law Enforcement Memorial donations	109,000	-	-	-
Lawful employment training	84,637	-	-	-
Newsletters	-	92,075	-	-
Office	14,002	-	-	-
Professional fees	8,265	-	-	-
Communications & PR services	94,713	-	-	-
Renewal and report to members	72,462	-	-	-
Sponsorships	7,500	-	-	-
Software	-	-	-	4,315
Travel	2,285	-	-	-
Total expenses	<u>\$ 825,241</u>	<u>\$ 97,075</u>	<u>\$ 50,117</u>	<u>\$ 61,815</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
\$ 219,811	\$ 51,876	\$ 3,514	\$ 275,201
47,500	-	-	47,500
1,520	1,521	-	3,041
45,117	-	-	45,117
131,219	-	-	131,219
5,278	4,750	528	10,556
68,884	7,560	103,939	180,383
10,223	85	43	10,351
13,590	3,624	906	18,120
1,852	1,851	-	3,703
109,000	-	-	109,000
84,637	-	-	84,637
92,075	-	-	92,075
14,002	3,652	-	17,654
8,265	39,862	-	48,127
94,713	-	12,241	106,954
72,462	-	-	72,462
7,500	-	-	7,500
4,315	-	-	4,315
2,285	945	-	3,230
<u>\$ 1,034,248</u>	<u>\$ 115,726</u>	<u>\$ 121,171</u>	<u>\$ 1,271,145</u>

VIRGINIA SHERIFFS' INSTITUTE, INC.
Statement of Cash Flows - Modified Cash Basis
For the Year Ended June 30, 2024

Cash flows from operating activities:	
Change in net assets	\$ 312,895
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>(372,577)</u>
Net cash provided by (used for) operating activities	\$ <u>(59,682)</u>
Proceeds from sale of investments	\$ 133,037
Dividends and investment income reinvested	<u>(35,040)</u>
Net cash provided by (used for) investing activities	\$ <u>97,997</u>
Net increase (decrease) in cash	\$ 38,315
Cash, beginning of year	<u>103,754</u>
Cash, end of year	\$ <u><u>142,069</u></u>

VIRGINIA SHERIFFS' INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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

Financial statements of the Institute are 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, 2024, the Institute had \$2,385,635 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, 2024, the Institute had net assets with donor restrictions of \$285,300.

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, 2024 (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 directly allocated.

NOTE 3 - NET ASSETS WITH DONOR RESTRICTIONS:

A majority of the net assets with donor restrictions at June 30, 2024 are related to an Institute scholarship fund.

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

Virginia Sheriffs' Institute scholarships	\$	258,059
Death benefits		1,288
Endowment fund (see Note 10)		25,953
Total	\$	<u>285,300</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, 2024, the Institute recorded payments totaling \$275,201 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, 2024, the Institute had no uninsured cash balance.

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VIRGINIA SHERIFFS' INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2024 (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	\$ 1,714,855	\$ 1,714,855
Corporate bonds	690,190	690,190
Money market funds	123,821	123,821
Total	\$ 2,528,866	\$ 2,528,866

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, 2024, fees received in connection with the VSI Certification program were \$8,550.

VIRGINIA SHERIFFS' INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2024 (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	\$ 142,069
Investments	2,528,866
Endowment fund (Note 10)	(25,953)
Scholarship fund	(258,059)
Death benefits	(1,288)
	<u>\$ 2,385,635</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, 2024:

Balance as of 7/1/23	\$ 24,014
Realized and unrealized gain (loss)	1,170
Interest and dividends	769
Balance as of 6/30/2024	<u>\$ 25,953</u>

NOTE 11 - SUBSEQUENT EVENTS:

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through August 21, 2024, the date the financial statements were available to be issued.