



NATIONAL CENTER FOR POLICE DEFENSE INC.

REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 2020

NATIONAL CENTER FOR POLICE DEFENSE INC.

REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
National Center for Police Defense Inc.
Fairfax, Virginia

Report on Financial Statements

We have audited the accompanying financial statements of National Center for Police Defense Inc. (NCPD) (a Virginia not-for-profit organization) which comprises the statements of financial position as of December 31, 2020 and the related statements of activities and changes in net assets, 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.

Auditor's 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 auditor's 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 NCPD'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 the National Center for Police Defense Inc. as of December 31, 2020, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

April 29, 2021

Nanette K Miller CPA PC

NATIONAL CENTER FOR POLICE DEFENSE INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020

ASSETS

Cash and cash equivalents - unrestricted	\$ 216,856
	<hr/>
<i>Total assets</i>	\$ 216,856
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LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 8,246
Due to related organization	6,500
	<hr/>
	14,746
Net assets - unrestricted	202,110
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<i>Total liabilities and net assets</i>	\$ 216,856
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NATIONAL CENTER FOR POLICE DEFENSE, INC.
STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions
Revenue, support and gains:	
Grants and contributions	\$ 918,976
<i>Total revenue, support and gains</i>	918,976
Expenses and losses:	
Program services -	
Law Enforcement Support Programs	294,992
Administration -	
General and administrative	109,975
Resource development and fundraising	325,864
	435,839
<i>Total expenses and losses</i>	730,831
<i>Change in net assets</i>	188,145
Net assets without donor restrictions, beginning	13,965
Net assets without donor restrictions, ending	\$ 202,110

NATIONAL CENTER FOR POLICE DEFENSE INC.
Statement of Functional Expenses
For the Year Ended December 31, 2019

	<u>Law Enforcement Support Programs</u>	<u>General and Administrative</u>	<u>Resource Development and Fund Raising</u>	<u>TOTAL</u>
Expenses				
Grants and other assistance	\$ 59,209	\$ -	\$ -	\$ 59,209
Professional fees	6,586	59,599	-	66,185
Advertising and marketing	1,507	-	-	1,507
Bank charges	-	29,506	-	29,506
Information technology	10,625	-	116,057	126,682
Direct mail fundraising expenses	-	-	169,052	169,052
Insurance	-	1,522	-	1,522
Data management	204,159	-	36,028	240,187
Other operating expenses	20,406	11,848	4,727	36,981
	<u>20,406</u>	<u>11,848</u>	<u>4,727</u>	<u>36,981</u>
Total Expenses	<u>\$ 302,492</u>	<u>\$ 102,475</u>	<u>\$ 325,864</u>	<u>\$ 730,831</u>

See Notes to Financial Statements.

NATIONAL CENTER FOR POLICE DEFENSE INC.
Statement of Cash Flows
For the Year ended December 31, 2020

OPERATING ACTIVITIES

Change in net assets	\$ 188,145
Adjustments to reconcile the change in net assets to net cash provided by operations:	
Increase in due to related organization	6,500
Decrease in accounts payable	<u>(13,162)</u>
Net cash provided by Operating Activities	181,483
Cash at January 1, 2020	<u>35,373</u>
Cash at December 31, 2020	<u><u>\$ 216,856</u></u>
Interest expense and bank fees	<u><u>\$ 29,506</u></u>

There were no non-cash investing and financing activities for the year ended December 31, 2020.

NATIONAL CENTER FOR POLICE DEFENSE INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1: Organization and Significant Accounting Policies

Nature of Organization

National Center for Police Defense, Inc. (NCPD or the Organization), is a not-for-profit corporation incorporated under the laws of the Commonwealth of Virginia on January 29, 2015. NCPD conducts research and publishes information relating to: (a) law enforcement misconduct statistics and areas in law enforcement that cause public concern, (b) civil and criminal legal cases in which law enforcement officers are charged with misconduct in the line of duty, and (c) other matters relating to the training and conduct of law enforcement officers in the course of their duty to protect the public in accordance with the law. An integral part of NCPD's mission is to educate the public about the importance of the principle that law enforcement officers are not judged in the court of public opinion or by media bias, but by every individual's right to due process under law.

NCPD also makes grants for legal and other living expenses when necessary to support an officer subject to litigation or suspension without pay pending an investigation of an officer-involved shooting or alleged misconduct.

Basis of accounting

The financial statements of NCPD have been prepared on the accrual basis of accounting, in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Not-for-Profit Entities.

Basis of presentation

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 958 accounting for contributions received and contributions made financial statements of not-for-profit organizations. Contributions are recognized as revenue when they are received or unconditionally pledged. FASB ASC Topic 958 eliminates the utilization of fund accounting for financial reporting purposes requires that net assets be classified as (1) net assets without donor restrictions; and (2) net assets with donor restrictions depending on limitations placed on the net assets by donors.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may be met or will be met either by actions of NCPD and/or the passage of time.

NATIONAL CENTER FOR POLICE DEFENSE INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1: Organization and Significant Accounting Policies (continued)

Furniture, fixtures and equipment

Property and equipment are capitalized at cost and depreciate over their estimated useful life using the straight-line method over 40 years for buildings and building improvements and 5-15 years for furniture and computer equipment. The Organization considers property and equipment to be items with a cost of \$5,000 or more and a useful life of over one year. As of December 31, 2020, NCPD has no furniture, fixtures and equipment.

Income taxes

NCPD is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code on any net income derived from activities related to its exempt purpose. This code section enables NCPD to accept donations that qualify as charitable contributions to the donor. NCPD is subject to tax on net income from unrelated business activities. For the year ended December 31, 2020, NCPD did not recognize income tax expense in the accompanying financial statements as there was no unrelated business taxable income.

Uncertain tax positions

In accordance with Financial Accounting Standards Board Accounting Standards Codification 740-10, Accounting for Uncertainty of Income Taxes which clarifies the accounting for the recognition and measurement of the benefits of individual tax position in the financial statements, including those non-profit organizations. Tax positions must meet a recognition threshold of more-likely-than-not in order for the benefit of those tax positions to be recognized in the financial statements.

The Organization is not aware of any activities that would jeopardize its tax-exempt status that would require recognition in the accompanying financial statements, pursuant to *Accounting Standards Codification (ASC) for Income Taxes*. Generally, tax returns are subject to examination by taxing authorities for up to three years from the date a completed return is filed. The open tax years are December 31, 2017-2020. If there are material omissions of income, tax returns may be subject to examination for up to six years. It is NCPD's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2020, the Organization had no accruals for interest and/or penalties as there were no uncertain tax positions.

In-kind contributions

In accordance with FASB ASC Topic 958, in-kind contributions, if any, are recorded at their estimated fair market value on the date the assets or donated and/or services performed. In kind contributions are not included in the accompanying financial statements since the value of any donated services and materials can not be objectively measured.

NATIONAL CENTER FOR POLICE DEFENSE INC.
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1: Organization and Significant Accounting Policies (continued)

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional expenses and allocations

The costs of providing the various programs and other operating activities have been summarized on a functional basis in the statement of functional expenditures. Certain costs that benefit a given program have been directly allocated to that program. Additionally, certain indirect general and administrative costs have been allocated amongst the programs based on management's best estimate of the benefit derived by each function from these expenditures.

Joint costs

In accordance with FASB, ASC Topic 958-720-55-2, joint costs are costs incurred by the Organization that can not be readily identifiable to a particular component of the activity. Prior to allocation, these costs are subjected to three criteria: (a) purpose, (b) audience, and (c) content. For the year ended December 31, 2020, the following costs have met these criteria and have been allocated based upon (1) the estimated benefit derived; and (2) the primary purpose of the expenditure. NCPD utilizes the relative direct cost method of each component to allocate these costs amongst their activities as follows:

	<u>Program %</u>	<u>G&A %</u>	<u>Fundraising %</u>	<u>Total Allocated</u>
Advertising/Marketing	100%	0%	0%	\$ 8,093
Information Technology	8%	0%	92%	126,682
Data Management	85%	0%	15%	240,187
				<u>\$ 374,962</u>

NATIONAL CENTER FOR POLICE DEFENSE INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 1: Organization and Significant Accounting Policies (continued)

Revenue Recognition

NCPD's primary source of revenue is contributions from individuals. The Organization reports unconditional contributions and grants of cash and other assets as net assets without donor restrictions and available for general operations, unless specifically restricted by the donor. If contributions and grants are received with donor stipulations that limit the use of the donated funds or assets to a particular purpose or to specific time periods, the Organization reports the contributions and grants as net assets with donor restrictions. When a stipulated time restriction ends or purpose restriction is met, net assets with donor restrictions are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. Rental income is recorded when due in accordance with individual lease agreements.

Unconditional contributions and grants that are expected to be collected in the future are recorded as pledges receivable when the promises are made. Unconditional pledge receivables that are expected to be collected within one years are reported at net realizable value. Unconditional pledge receivables that are expected to be collected beyond one years are reported at the present value of their estimated future cash flows.

Non-cash contributions, such as marketable securities or other valuables easily converted into cash, are recorded at the fair market value on the date of the contribution. Any gain or loss on the subsequent sale is reported in the Statement of Activity as a realized gain/loss and is considered unrestricted revenue. For the year ended December 31, 2020, there were no non-cash donations received by the Organization.

Cash equivalents

For purposes of the statement of cash flows, the Organization considers highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Note 2: Donated Services and Materials

In accordance with FASB ASC Topic 958, in-kind contributions, if any, are recorded at their estimated fair market value on the date the unconditional promise to give the asset is made and transfer of the asset is assured. In kind contributions are not included in the accompanying financial statements since the value of the donated services and materials can not be objectively measured.

NATIONAL CENTER FOR POLICE DEFENSE INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Note 3: Concentration of Credit Risk

NCPD maintains its cash balances in various financial institutions. At December 31, 2019, the balances were insured, up to \$250,000, by the Federal Deposit Insurance Corporation ("FDIC"). As of December 31, 2019, NCPD had no cash balances that exceeded the FDIC/SPIC coverage limits. Management has determined that the risk of loss associated with any future overages to be minimal.

In accordance with FASB ASC Topic 275, *Disclosure Information Regarding Concentration Risk*, NCPD primarily receives their funding individuals. for the year ended December 31, 2020, there were no individuals meeting the criteria for disclosure in the financial statements.

Note 4: Related Party Transactions

NCPD is a non profit 501 (c) (3) organization as defined by the Internal Revenue Code and shares office space, management, staff, and their board members in common with two (2) other entities: (1) Committee for Police Defense (COPD), a non-profit organization exempt from income tax under IRC Section 527; and Police Officers' Defense Coalition (PODC), a nonprofit organization exempt from income tax under IRS Section 501(c)(4). Costs incurred by any or one of these related entities on behalf of NCPD are directly charged to NCPD. As of and for the year ended December 31, 2020, NCPD owed CPOD \$6,500 for reimbursement for these expenses. These advances are short-term in nature, considered fully collectible, and are repaid by NCPD as funding allows.

Note 5: Liquidity

NCPD has \$221,982 of liquid financial assets available for use within one year of the balance sheet date to meet cash needs for general expenditures and other contractual restrictions. Liquid financial assets as of December 31, 2020 consists of cash of \$216,856. There are no financial assets subject to donor or other contractual restrictions making them unavailable for general expenditure within one year of the balance sheet date. NCPD's has a goal to maintain liquid, non-committed financial assets, which consist of cash and money market funds, on hand to meet on average 2 months of normal operating expenses, which are, on average, approximately \$50,000 per month. NCPD policy is to structure its liquid financial assets to be available as its general expenditures, liabilities, and donor obligations come due.

Note 6: Subsequent Events

Subsequent events have been reviewed through April 29, 2021 and none were noted requiring adjustment to or disclosure in the financial statements as of and for the year ended December 31, 2020.