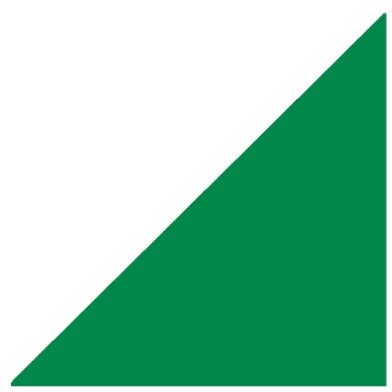




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BORDER PATROL FOUNDATION

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018



BORDER PATROL FOUNDATION
FOR THE YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Border Patrol Foundation
Arlington, Virginia

We have audited the accompanying financial statements of Border Patrol Foundation, which comprise the statement of financial position as of December 31, 2018, 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 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 Border Patrol Foundation as of December 31, 2018, and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2018 Border Patrol Foundation adopted new accounting guidance in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The guidance has been applied retrospectively. Our opinion is not modified with respect to this matter.

E. Cohen and Company, CPAs

August 30, 2019

BORDER PATROL FOUNDATION

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2018

ASSETS

Current assets

Cash	\$ 371,124
Contributions receivable	90,879
Prepaid expenses	18,707
Inventory	8,346
Other assets	<u>5,782</u>

Total current assets 494,838

Investments	170,323
Equipment, net	<u>900</u>

Total assets \$ 666,061

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable and accrued expenses	<u>\$ 5,989</u>
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Net assets

Without donor restrictions	517,643
With donor restrictions	<u>142,429</u>

Total net assets 660,072

Total liabilities and net assets \$ 666,061

BORDER PATROL FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions and grants	\$ 255,145	\$ 142,429	\$ 397,574
Special events, net of direct costs of \$326,690	241,857	-	241,857
In-kind contributions	75,316	-	75,316
Net loss on investments	(7,095)	-	(7,095)
Other income	475	-	475
Net assets released from restriction	<u>113,426</u>	<u>(113,426)</u>	<u>-</u>
Total revenues	<u>679,124</u>	<u>29,003</u>	<u>708,127</u>
Expenses			
Program services	400,413	-	400,413
Management and general	110,651	-	110,651
Fundraising	<u>10,234</u>	<u>-</u>	<u>10,234</u>
Total expenses	<u>521,298</u>	<u>-</u>	<u>521,298</u>
Change in net assets	157,826	29,003	186,829
Net assets, beginning of year	<u>359,817</u>	<u>113,426</u>	<u>473,243</u>
Net assets, end of year	<u><u>\$ 517,643</u></u>	<u><u>\$ 142,429</u></u>	<u><u>\$ 660,072</u></u>

BORDER PATROL FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2018

	Program Services	Management and General	Fundraising	Total Expenses
Payroll fees	\$ 48,099	\$ 10,215	\$ 6,323	\$ 64,637
Family services	229,719	1,020	-	230,739
Scholarships	73,750	-	-	73,750
Professional fees	-	56,100	-	56,100
Administrative and other expenses	18,413	27,951	3,411	49,775
Peer support	16,575	-	500	17,075
Software hosting and maintenance	-	15,365	-	15,365
Silent partner program	9,186	-	-	9,186
Memorial expenses	4,414	-	-	4,414
Depreciation	257	-	-	257
Total expenses	\$ 400,413	\$ 110,651	\$ 10,234	\$ 521,298

BORDER PATROL FOUNDATION

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2018

Cash flows from operating activities	
Cash provided by operations:	
Support and revenue	\$ 666,273
Interest and dividend income	11,832
Total cash provided by operations	<u>678,105</u>
Cash used in operations:	
Payments to program recipients, employees, and suppliers	<u>(546,154)</u>
Net cash provided by operating activities	<u>131,951</u>
Cash flows from investing activities	
Proceeds from sale of investments	6,310
Purchase of investments	<u>(86,826)</u>
Net cash used in investing activities	<u>(80,516)</u>
Net increase in cash	51,435
Cash, beginning of year	<u>319,689</u>
Cash, end of year	<u><u>\$ 371,124</u></u>
Reconciliation of change in net assets to net cash provided by operating activities	
Change in net assets	\$ 186,829
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	257
Donated assets	(5,782)
Realized and unrealized loss on investments	17,842
Changes in operating assets and liabilities:	
Contributions receivable	(47,864)
Prepaid expenses	(9,704)
Inventory	(2,888)
Accounts payable and accrued expenses	<u>(6,739)</u>
Net cash provided by operating activities	<u><u>\$ 131,951</u></u>

BORDER PATROL FOUNDATION

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

1. Organization and summary of significant accounting policies

Organization

Border Patrol Foundation (the Foundation) is a non-profit corporation established in the State of Arizona in 2009 which provides resources to the families of the fallen and creates awareness of the escalating risk to those who keep America's borders safe. These services create a financial bridge through the turbulent time following a family's loss. The Foundation supports programs improving awareness of United States border security and recognizes community leaders supporting the families of the U.S. Border Patrol. The Foundation's volunteers have served with the U.S. Border Patrol or are professionals, friends, and family committed to the importance of securing America's borders and dedicating their lives to the same. The Foundation is funded primarily through public donations and fundraisers.

Basis of accounting

The accompanying financial statements have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

BORDER PATROL FOUNDATION

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

1. Organization and summary of significant accounting policies (continued)

Cash

The Foundation's cash is on deposit with major domestic financial institutions. At times, bank deposits may be in excess of federally insured limits. The Foundation has not experienced any losses in cash, and believes it is not exposed to significant credit risk. Cash in excess of FDIC insured limits on December 31, 2018, approximated \$167,000. Highly liquid investments with initial maturities of three months or less are considered to be cash equivalents. As of December 31, 2018, the Foundation held no such investments.

Inventory

Inventory consists of goods purchased for events and is valued at the lower of cost or market. Costs are determined on a first-in, first-out basis. No inventory allowance was recorded in 2018.

Investments

Investments are stated at fair value which may differ from the amount ultimately realized at the time of sale. The Foundation follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures* as described in Note 3. Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statement of activities and changes in net assets as increases or decreases in net assets without donor restriction unless the use was restricted by explicit donor stipulations.

Equipment

Equipment is recorded at cost, except for donated items which are recorded at fair value at the date of donation. Depreciation is computed using the straight-line method based on the assets' estimated useful lives, which is five years. The cost of maintenance and repairs is charged to operations as incurred. It is the Foundation's policy to capitalize equipment over \$1,000. Accumulated depreciation was \$386 at December 31, 2018, and depreciation expense for the year ended December 31, 2018, was \$257.

Revenue recognition

The Foundation records contributions received depending on the existence and/or nature of any donor-imposed restrictions. Support that is restricted by the donor, including pledges, is reported as an increase in net assets with donor restrictions.

BORDER PATROL FOUNDATION

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

1. Organization and summary of significant accounting policies (continued)

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restriction. However, if a restriction is fulfilled in the same time period in which the support is received, the Foundation reports the support as unrestricted.

The Foundation reports gifts of equipment as support without donor restriction unless explicit stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of restrictions when the assets are placed in service.

Contributions and grants

All contributions and grants are considered to be available for use without donor restriction unless specifically restricted by the donor. Unconditional contributions receivable are recognized as revenues in the period the contribution or pledge is received. Conditional contributions are recognized when the conditions on which they depend are substantially met.

Contributions receivable

Contributions receivable, which represent unconditional promises to give, are recognized as support when the promise is received. Contributions receivable expected to be collected in less than one year are reported at the original amounts less an estimate for doubtful accounts based on a review of all outstanding amounts on a monthly basis. As of December 31, 2018, all receivables are expected to be collected in less than one year. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using the historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The allowance for doubtful accounts is based on management's evaluation of the collection of receivables. There was no allowance for bad debt or bad debt expense recorded for the year ended December 31, 2018. No interest is accrued on accounts receivable.

BORDER PATROL FOUNDATION

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

1. Organization and summary of significant accounting policies (continued)

In-kind donations

In-kind contributions of supplies or inventory are recorded at their estimated fair value based on the Foundation's estimate of the retail values that would be received for buying the same goods from another party. The Foundation's policy is to recognize contributed professional services if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Total in-kind donations were \$75,316 for the year ended December 31, 2018. This amount consists of \$4,530 of event t-shirts and \$15,000 of software hosting and maintenance costs.

Functional allocation of expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by function. Costs that can be identified with a particular program or supporting function are charged directly to that program function. Expenses that are not specifically identified are allocated among programs and supporting services based on management's best estimate of the allocation of hours.

Income taxes

No provision has been made for income taxes since the Foundation has been determined to be exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and there was no net unrelated business income during the year. The Foundation follows the guidance of Accounting Standards Codification (ASC) 740, which requires an assessment of uncertainty in income taxes and certain financial statement disclosures relating to unrecognized tax benefits. Uncertainty in income taxes for a not-for-profit organization would include the status of its exemption from taxes, the status of filings in local jurisdictions, and unrelated business income if any.

The Foundation has determined that it does not currently have any tax positions that it considers to be uncertain. As of December 31, 2018, the statute of limitations for tax years ended 2015 – 2018 remains open with the U.S. federal jurisdiction and/or various states and local jurisdictions in which the Foundation files tax returns.

BORDER PATROL FOUNDATION

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

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

Change in accounting principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses. The Foundation has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

2. Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Total assets at December 31, 2018	\$	666,061
Less: Prepaid expenses		(18,707)
Inventory		(8,346)
Other assets		(5,782)
Equipment, net		(900)
Net assets with donor restrictions		<u>(142,429)</u>
Financial assets available for general expenditure	\$	<u>489,897</u>

There are no restrictions, covenants, endowments, or board-designated funds limiting the use of available liquid assets for general expenditure. All liquid assets are available for use to meet cash needs for general expenditures.

BORDER PATROL FOUNDATION

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

3. Investments

The Foundation's investments held at December 31, 2018, were comprised of mutual funds. Investment returns for the year ended December 31, 2018, consisted of the following:

Interest and dividends	\$ 11,832
Realized and unrealized losses	(17,842)
Investment fees	<u>(1,085)</u>
Net loss on investments	<u>\$ (7,095)</u>

Return objective and risk parameters: The Foundation's objective is to earn a short-term, risk-adjusted total rate of return to support the designated programs. The Foundation recognizes and accepts that pursuing such a goal involves risk and potential volatility. The Foundation targets a diversified asset allocation that places its emphasis on mutual fund investments, to achieve its short-term return objectives within prudent risk constraints. The Foundation has established a portfolio asset allocation. While the asset allocation can be adjusted from time to time, it is designed to serve for short-time horizons based upon short-term expected returns. The Foundation has a preference for simple investment structures which will have lower cost, easier oversight, and less complexity for internal financial management and auditing.

4. Fair value measurement

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization can access at the measurement date.

BORDER PATROL FOUNDATION

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

4. Fair value measurement (continued)

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs that are unobservable inputs for the asset or liability and are used to measure fair value to the extent that observable inputs are not available.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodologies used during the year ended December 31, 2018.

Mutual funds: All investments held by the Foundation as of December 31, 2018, are mutual funds. They are valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

All investments held at December 31, 2018, were categorized as Level 1. For the year ended December 31, 2018, there were no significant transfers between Levels 1 and 2, and no transfers to Level 3.

BORDER PATROL FOUNDATION

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2018

5. Net assets

The Foundation is a non-stock corporation. In the event of dissolution, any net proceeds available can be distributed only to an organization or organizations created and operated for non-profit purposes similar to those of the Foundation.

Net assets with donor restrictions include amounts which are only available for specific program activities or general support designated for future years. During the year ended December 31, 2018, there were net assets with donor restrictions received in the amount of \$142,429 for the Student Scholarship Program. Net assets released from restriction during the year ended December 31, 2018, were \$113,426.

6. Subsequent events

Management of the Foundation has evaluated events and transactions that occurred after December 31, 2018, through August 30, 2019, the date the financial statements were available to be issued and has determined that no subsequent events or transactions have occurred that require recognition or disclosure in the financial statements.