



BORDER PATROL FOUNDATION
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017



BORDER PATROL FOUNDATION

YEAR ENDED DECEMBER 31, 2017

Table of Contents

	<u>Page</u>
Independent auditor's report	1
Financial statements	
Statement of financial position	2
Statement of activities and changes in net assets	3
Statement of cash flows	4
Notes to financial statements	5 - 11



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Border Patrol Foundation

We have audited the accompanying financial statements of Border Patrol Foundation, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets 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, 2017, 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.

E. Cohen and Company, CPAs

October 9, 2018

BORDER PATROL FOUNDATION

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2017

ASSETS

Current Assets

Cash	\$ 319,689
Contributions receivable	43,015
Prepaid expenses	9,003
Inventory	<u>5,458</u>

Total Current Assets 377,165

Investments	107,649
Equipment, net	<u>1,157</u>

Total Assets \$ 485,971

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and accrued expenses	<u>\$ 12,728</u>
---------------------------------------	------------------

Net Assets

Unrestricted	359,817
Temporarily restricted	<u>113,426</u>

Total Net Assets 473,243

Total Liabilities and Net Assets \$ 485,971

BORDER PATROL FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues			
Contributions	\$ 241,315	\$ 113,426	\$ 354,741
Special events, net of direct costs of \$222,550	276,494	-	276,494
In-kind contributions	22,590	-	22,590
Net gain on investments	13,216	-	13,216
Other income	1,339	-	1,339
Net assets released from restrictions:			
Satisfaction of grant restrictions	37,500	(37,500)	-
Total Revenues	<u>592,454</u>	<u>75,926</u>	<u>668,380</u>
Expenses			
Family services	233,104	-	233,104
Scholarships	55,500	-	55,500
Salary and payroll taxes	53,867	-	53,867
Contractual services	25,200	-	25,200
Professional fees	19,951	-	19,951
Peer support	18,310	-	18,310
Office expense	15,731	-	15,731
Travel	15,662	-	15,662
Insurance	1,924	-	1,924
Memorial	1,809	-	1,809
Fundraising	1,547	-	1,547
Website expenses	1,525	-	1,525
Rent, parking and facilities	426	-	426
Depreciation	129	-	129
Total Expenses	<u>444,685</u>	<u>-</u>	<u>444,685</u>
Change In Net Assets	147,769	75,926	223,695
Net Assets, beginning of year	<u>212,048</u>	<u>37,500</u>	<u>249,548</u>
Net Assets, end of year	<u><u>\$ 359,817</u></u>	<u><u>\$ 113,426</u></u>	<u><u>\$ 473,243</u></u>

See notes to financial statements.

BORDER PATROL FOUNDATION

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2017

Cash Flows From Operating Activities

Cash provided by operations:

Support and revenue	\$ 622,654
Investment and dividend income	<u>5,162</u>

Total cash provided by operations 627,816

Cash used in operations:

Payments to program recipients, employees, and suppliers	<u>(457,748)</u>
--	------------------

Net Cash Provided by Operating Activities 170,068

Cash Flows From Investing Activities

Purchase of equipment	(1,286)
Proceeds from sale of investments	1,216
Purchase of investments	<u>(5,286)</u>

Net Cash Used in Investing Activities (5,356)

Net Increase in Cash 164,712

Cash, Beginning of Year 154,977

Cash, End of Year \$ 319,689

Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities Change in Net Assets

\$ 223,695

Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities

Depreciation	129
Realized and unrealized gain on investments	(9,049)
Changes in operating assets and liabilities:	
Contributions receivable	(31,515)
Prepaid expenses	(5,441)
Inventory	(5,458)
Accounts payable and accrued expenses	<u>(2,293)</u>

Net Cash Provided by Operating Activities \$ 170,068

BORDER PATROL FOUNDATION

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017

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 of 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.

Method 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

Net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time.

Revenue recognition

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

The support that is restricted by the donor, including pledges, is reported as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

BORDER PATROL FOUNDATION

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017

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

Contributions and grants

All contributions and grants are considered to be available for unrestricted use 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 invoice amounts less an estimate for doubtful accounts based on a review of all outstanding amounts on a monthly basis. As of December 31, 2017, 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, 2017. No interest is accrued on accounts receivable.

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 \$22,590 for the year ended December 31, 2017. This amount consists of \$7,590 of event t-shirts and \$15,000 of software hosting and maintenance costs.

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. Highly liquid investments with initial maturities of three months or less are considered to be cash equivalents. As of December 31, 2017, the Foundation held no such investments.

BORDER PATROL FOUNDATION

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017

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

Inventory

Inventory consists of goods purchased for events. It 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 2017.

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 unrestricted net assets 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 and depreciation expense for the year ended December 31, 2017 was \$129.

Income taxes

No provision has been made for income taxes since the Foundation has been determined to be exempt from income taxes under Foundation 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, 2017, the statute of limitations for tax years ended 2015 – 2017 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, 2017

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.

2. Investments

The Foundation's investments held at December 31, 2017, were comprised of mutual funds. Investment returns for the year ended December 31, 2017 consisted of the following:

Interest and dividends	\$5,162
Realized and unrealized gains	9,049
Investment fees	<u>(995)</u>
Net gain on investments	<u>\$13,216</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.

BORDER PATROL FOUNDATION

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017

3. 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 Topic 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.

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.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017.

Mutual funds: All investments held by the Foundation as of December 31, 2017, 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.

BORDER PATROL FOUNDATION

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017

3. Fair value measurement (Continued)

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, 2017, were categorized as Level One. For the year ended December 31, 2017, there were no significant transfers between Levels 1 and 2, and no transfers to Level 3.

4. Net assets

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

Temporarily restricted net assets include donor-restricted and other funds, which are only available for program activities, or general support designated for future years. During the year ended December 31, 2017, there were temporarily restricted net assets received in the amount of \$113,426 granted to the Foundation for the Student Scholarship Program. Net assets released from restrictions were \$37,500.

5. Functional allocation of expenses

Total expenses of providing various program and other activities of the Foundation were \$444,685. Costs that can be identified with particular programs or support functions are charged directly to that program or function. Salaries and related costs have been allocated among the programs and supporting services based upon management's best estimates of the proportion of these costs applicable to each program. Other allocable costs have been allocated to program services, management and general, and fundraising based upon management's best estimates. For the year ended December 31, 2017 program expenses, management and general expenses and fundraising expenses totaled \$375,169, \$56,497 and \$13,019, respectively.

BORDER PATROL FOUNDATION

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2017

6. Subsequent events

Management of the Foundation has evaluated events and transactions that occurred after December 31, 2017, through October 9, 2018, 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.