

VIRGINIA PUBLIC SAFETY FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

TABLE OF CONTENTS

	<u>PAGE</u>
<u>INDEPENDENT AUDITOR'S REPORT</u>	1
<u>FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013:</u>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to the Financial Statements	6

Independent Auditor's Report

To the Board of Directors
Virginia Public Safety Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Virginia Public Safety Foundation which comprise the statement of financial position as of December 31, 2013, and the related statements of activities 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 Virginia Public Safety Foundation as of December 31, 2013 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.

L. P. Martin & Company, P.C.

Glen Allen, Virginia
April 17, 2014

VIRGINIA PUBLIC SAFETY FOUNDATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

ASSETS

CASH AND CASH EQUIVALENTS:

Unrestricted	\$ 186,206
Temporarily Restricted	<u>265,460</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>451,666</u>

UNCONDITIONAL PROMISE TO GIVE	10,000
-------------------------------	--------

PREPAID EXPENSES	4,420
------------------	-------

INVESTMENTS - TEMPORARILY RESTRICTED	268,694
--------------------------------------	---------

PROPERTY AND EQUIPMENT:

Office Furniture and Equipment	6,363
Construction in Progress - Memorial	<u>179,153</u>
	185,516
Less: Accumulated Depreciation	<u>(6,363)</u>

NET PROPERTY AND EQUIPMENT	<u>179,153</u>
----------------------------	----------------

TOTAL ASSETS	<u>\$ 913,933</u>
--------------	-------------------

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts Payable	\$ 8,302
Retainage Payable	<u>6,708</u>

TOTAL LIABILITIES	<u>15,010</u>
-------------------	---------------

NET ASSETS:

Unrestricted	354,769
Temporarily Restricted	<u>544,154</u>

TOTAL NET ASSETS	<u>898,923</u>
------------------	----------------

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 913,933</u>
----------------------------------	-------------------

The accompanying notes are an integral part of this statement.

VIRGINIA PUBLIC SAFETY FOUNDATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013

UNRESTRICTED NET ASSETS:

SUPPORT AND REVENUE:

Private Contributions	\$ 8,523
Special Events	22,651
Investment Income	<u>50,015</u>
	81,189

NET ASSETS RELEASED FROM RESTRICTIONS:

Payments for Program Services	<u>133,361</u>
-------------------------------	----------------

TOTAL UNRESTRICTED SUPPORT AND REVENUE	<u>214,550</u>
--	----------------

EXPENSES:

Program Services	81,650
General and Administrative	16,289
Fundraising	<u>11,017</u>

TOTAL EXPENSES	<u>108,956</u>
----------------	----------------

INCREASE IN UNRESTRICTED NET ASSETS	<u>105,594</u>
-------------------------------------	----------------

TEMPORARILY RESTRICTED NET ASSETS:

Private Contributions	208,229
Restrictions Satisfied by Payments	<u>(133,361)</u>

INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>74,868</u>
---	---------------

CHANGE IN NET ASSETS	180,462
----------------------	---------

NET ASSETS, DECEMBER 31, 2012	<u>718,461</u>
-------------------------------	----------------

NET ASSETS, DECEMBER 31, 2013	<u>\$ 898,923</u>
-------------------------------	-------------------

The accompanying notes are an integral part of this statement.

VIRGINIA PUBLIC SAFETY FOUNDATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2013

OPERATING ACTIVITIES:

Increase in Net Assets	\$ 180,462
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:	
Prepaid Expenses	(4,420)
Unconditional Promise to Give	(10,000)
Unrealized Gain on Investments	(43,533)
Accounts Payable	8,302
Retainage Payable	<u>6,708</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>137,519</u>

INVESTING ACTIVITIES:

Purchase of Property and Equipment	(90,319)
Purchase of Investments	<u>(6,481)</u>
 NET CASH USED BY INVESTING ACTIVITIES	 <u>(96,800)</u>

INCREASE IN CASH AND CASH EQUIVALENTS	40,719
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2012	<u>410,947</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2013	<u>\$ 451,666</u>

The accompanying notes are an integral part of this statement.

VIRGINIA PUBLIC SAFETY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Virginia Public Safety Foundation (the Foundation) is a non-stock, non-profit corporation which provides assistance to Commonwealth of Virginia public safety officers and families of public safety officers killed or injured in the line of duty. The Foundation also provides merit scholarships to children of killed or injured public safety officials.

Basis of Presentation - Revenues and support are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor-imposed stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purposes have been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - The Foundation's definition of cash and cash equivalents includes items such as short-term, highly liquid investments with maturities of three months or less at date of purchase.

Recognition of Contributions - Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributed Materials and Services - During the year ended December 31, 2013, the value of contributed materials and the value of contributed services that either (a) created or enhanced a nonfinancial asset or (b) required specialized skills, was provided by individuals possessing those skills, and would have been purchased if not contributed was not material to the financial statements and has not been recognized.

(Continued)

VIRGINIA PUBLIC SAFETY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
(Continued)

Valuation of Investments and Income Recognition - The Foundation's investments are stated at fair value. Listed stocks and securities are valued at closing quotations, while unlisted securities are valued at the most recent bid price. Purchases and sales of securities are recorded on a trade-date basis. Unrealized gains and losses are recognized in the period in which they occur. Interest and dividends are recognized in the period earned, and realized gains or losses on securities are recorded in the period of sale.

Construction in Progress - At December 31, 2013, the Foundation is in the process of erecting a memorial honoring Commonwealth of Virginia public safety officers killed or injured in the line of duty. The memorial is to be erected near the Virginia Capitol Square and should be completed by the end of 2014. The Foundation has a contract commitment of \$41,098 as of December 31, 2013 in connection with the memorial construction.

Property and Equipment - Property and equipment is stated at cost. Expenditures for maintenance, repairs and minor renewals are expensed when incurred. Depreciation is determined on the straight-line method. Estimated useful lives for purposes of depreciation are five to seven years.

Functional Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services.

Advertising Costs - Advertising costs are expensed when incurred.

Tax Status - The Foundation has been determined to be exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code and will be taxed only to the extent it has taxable trade or business income unrelated to its exempt purpose. At December 31, 2013, calendar years 2010, 2011, 2012 and 2013 remained open to examination by federal and state taxing authorities.

(Continued)

VIRGINIA PUBLIC SAFETY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

NOTE 2 - INVESTMENTS

As of December 31, 2013, \$268,694 of investments are temporarily restricted. Investments, which are carried at fair value at December 31, 2013, are composed of the following:

		Fair Value Measurements at Reporting Date Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	
<u>December 31, 2013</u>	<u>Fair Value</u>		
Mutual Funds	<u>\$ 268,694</u>	<u>\$</u>	<u>268,694</u>

Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, The Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

Level 1 Fair Value Measurements

The fair value of mutual funds is based on quoted market prices.

The Foundation's investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risks. In addition, due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

(Continued)

VIRGINIA PUBLIC SAFETY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

NOTE 2 - INVESTMENTS, (Continued)

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2013:

	<u>Unrestricted</u>
Interest and dividends	\$ 6,482
Unrealized gain on investments	<u>43,533</u>
Total investment income	<u>\$ 50,015</u>

NOTE 3 - NATURAL EXPENSE CLASSIFICATION

The natural classification of total expenses for the year ended December 31, 2013 is as follows:

Contract Services	\$ 79,379
Line of Duty	7,000
Travel	6,107
Scholarships	5,449
Printing	3,948
Medal of Valor	1,897
Challenge Coins	1,383
Office Expense	1,257
Other	1,128
Insurance	793
Gifts	<u>615</u>
TOTAL EXPENSES	<u>\$ 108,956</u>

NOTE 4 - CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist primarily of investments and cash and cash equivalents. The Foundation places its investments and its cash and cash equivalents with creditworthy institutions and diversifies its holdings among entities, thereby limiting the amount of credit exposure to any one entity. As of December 31, 2013, the Foundation has \$219,931 of cash deposits in excess of federally insured limits being held by a federally insured financial depository institution.

(Continued)

VIRGINIA PUBLIC SAFETY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2013 are available for the construction of the Commonwealth Public Safety Memorial.

NOTE 6 - UNCONDITIONAL PROMISE TO GIVE

As of December 31, 2013, a contributor to the Foundation has made an oral restricted unconditional promise to give in the amount of \$10,000, all of which is expected to be collected within one year.

NOTE 7 - SUBSEQUENT EVENTS

The preparation of the financial statements includes an evaluation of subsequent events through April 17, 2014, which is the date that the financial statements were available to be issued.