

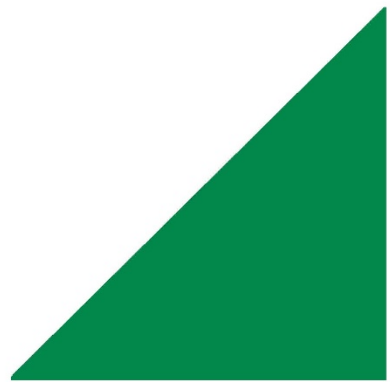


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BORDER PATROL FOUNDATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019



BORDER PATROL FOUNDATION
FOR THE YEAR ENDED DECEMBER 31, 2019

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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 (the Foundation), which comprise the statement of financial position as of December 31, 2019, 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, 2019, 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 Matters – Adoption of New Accounting Standards

As discussed in Note 2 to the financial statements, effective January 1, 2019, the Foundation adopted new accounting guidance in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Accounting Standards Codification (ASC) 606), as well as ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

E. Cohen and Company, CPAs

August 18, 2020

BORDER PATROL FOUNDATION

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2019

ASSETS

Current assets	
Cash	\$ 487,890
Contributions receivable	51,925
Prepaid expenses	9,011
Inventory	4,260
Other assets	<u>5,782</u>
Total current assets	558,868
Investments	190,501
Equipment, net	<u>643</u>
Total assets	<u><u>\$ 750,012</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable and accrued expenses	<u>\$ 8,102</u>
Net assets	
Without donor restrictions	608,410
With donor restrictions	<u>133,500</u>
Total net assets	<u>741,910</u>
Total liabilities and net assets	<u><u>\$ 750,012</u></u>

BORDER PATROL FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and support			
Contributions and grants	\$ 234,152	\$ 133,500	\$ 367,652
Special events	485,041	-	485,041
Costs of direct benefits to donors	(282,301)	-	(282,301)
In-kind contributions	59,445	-	59,445
Net gain on investments	20,215	-	20,215
Other income	1,702	-	1,702
Net assets released from restriction	142,429	(142,429)	-
Total revenues	<u>660,683</u>	<u>(8,929)</u>	<u>651,754</u>
Expenses			
Program services	444,579	-	444,579
Management and general	105,949	-	105,949
Fundraising	19,388	-	19,388
Total expenses	<u>569,916</u>	<u>-</u>	<u>569,916</u>
Change in net assets	90,767	(8,929)	81,838
Net assets, beginning of year	<u>517,643</u>	<u>142,429</u>	<u>660,072</u>
Net assets, end of year	<u><u>\$ 608,410</u></u>	<u><u>\$ 133,500</u></u>	<u><u>\$ 741,910</u></u>

BORDER PATROL FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and General	Fundraising	Total Expenses
Family services	\$ 272,602	\$ 1,500	\$ -	\$ 274,102
Scholarships	106,825	-	-	106,825
Payroll expenses	38,761	21,128	10,946	70,835
Professional fees	-	54,792	-	54,792
Administrative and other expenses	15,156	21,994	3,832	40,982
Software hosting and maintenance	-	5,584	-	5,584
Cost of merchandise	2,616	-	2,615	5,231
Sponsorships	2,689	-	1,000	3,689
Silent partner program	3,103	-	-	3,103
Memorial expenses	1,670	-	-	1,670
Uncollectible pledges	-	-	995	995
Facility expenses	-	951	-	951
Art contest	900	-	-	900
Depreciation	257	-	-	257
Total functional expenses	<u>\$ 444,579</u>	<u>\$ 105,949</u>	<u>\$ 19,388</u>	<u>\$ 569,916</u>

BORDER PATROL FOUNDATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2019

Cash flows from operating activities	
Cash provided by operations:	
Revenues and support	\$ 669,510
Interest and dividend income	8,002
Total cash provided by operations	<u>677,512</u>
Cash used in operations:	
Payments to program recipients, employees, and suppliers	<u>(553,764)</u>
Net cash provided by operating activities	<u>123,748</u>
Cash flows from investing activities	
Proceeds from sale of investments	1,020
Purchase of investments	<u>(8,002)</u>
Net cash used in investing activities	<u>(6,982)</u>
Net increase in cash	116,766
Cash, beginning of year	<u>371,124</u>
Cash, end of year	<u><u>\$ 487,890</u></u>
Reconciliation of change in net assets to net cash provided by operating activities	
Change in net assets	\$ 81,838
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	257
Realized and unrealized gain on investments	(13,196)
Changes in operating assets and liabilities:	
Contributions receivable	38,954
Prepaid expenses	9,696
Inventory	4,086
Accounts payable and accrued expenses	<u>2,113</u>
Net cash provided by operating activities	<u><u>\$ 123,748</u></u>

BORDER PATROL FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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 (U.S. GAAP).

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 FOR THE YEAR ENDED DECEMBER 31, 2019

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

Concentration of credit risk

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 Federal Deposit Insurance Corporation insured limits on December 31, 2019, approximated \$260,000.

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 2019.

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. Investment income, net of related investment expenses, consisting of interest and dividends, is recognized when earned.

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 \$643 at December 31, 2019, and depreciation expense for the year ended December 31, 2019, was \$257.

BORDER PATROL FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

Revenue recognition

Contributions are recognized at fair value when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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 restrictions. 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 recognizes revenues from exchange transactions, primarily event sponsorships, event registrations, and advertising, as the services are provided to the customer.

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.

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 \$59,445 for the year ended December 31, 2019. This amount consists of \$23,495 of event supplies, \$30,950 of in-kind professional services (included in management and general expenses in the accompanying statement of activities and changes in net assets), and \$5,000 of software hosting and maintenance costs.

BORDER PATROL FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

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, 2019, 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, 2019. No interest is accrued on accounts receivable.

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 time and effort spent.

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.

For the year ended December 31, 2019, the Foundation has determined that it does not currently have any tax positions that requires either recognition or disclosure in the financial statements. As of December 31, 2019, the statute of limitations for tax years ended 2016 – 2019 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 FOR THE YEAR ENDED DECEMBER 31, 2019

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

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

Adoption of new accounting standard

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASC 606). This ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition within U.S. GAAP. ASC 606 requires new and expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with members or outside parties. The Foundation adopted ASC 606 effective January 1, 2019, the first day of the Foundation's fiscal year, using the modified retrospective approach. The results of applying ASC 606, using the modified retrospective approach, did not have a material impact on the statement of financial position, statement of activities and changes in net assets, cash flows, business processes, controls or systems of the Foundation.

In June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (ASC 958). This ASU provides a more robust framework to determine when a transaction should be accounted for as a contribution or as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. The Foundation adopted ASU 2018-08 in 2019 under the modified retrospective approach. The adoption of this ASU did not materially impact the financial statements.

BORDER PATROL FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019	\$	750,012
Less: Prepaid expenses		(9,011)
Inventory		(4,260)
Other assets		(5,782)
Equipment, net		(643)
Net assets with donor restrictions		<u>(133,500)</u>
Financial assets available for general expenditure	\$	<u>596,816</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.

3. Investment returns

The Foundation's investments held at December 31, 2019, were comprised of mutual funds. Investment returns for the year ended December 31, 2019, consisted of the following:

Interest and dividends	8,002
Realized and unrealized gains	13,196
Investment fees	<u>(983)</u>
Net gain on investments	<u>\$ 20,215</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.

BORDER PATROL FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

3. Investment returns (continued)

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 and investments

Investments are stated at fair value. 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.

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.

BORDER PATROL FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

4. Fair value measurement and investments (continued)

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, 2019.

Mutual funds: All investments held by the Foundation as of December 31, 2019, 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.

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of December 31, 2019. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	<u>\$ 190,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 190,501</u>

For the year ended December 31, 2019, there were no significant transfers between Levels 1 and 2, and no transfers to Level 3.

BORDER PATROL FOUNDATION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019, there were net assets with donor restrictions received in the amount of \$133,500, of which \$95,500 is for the Student Scholarship Program and \$38,000 is for next year special events. Net assets released from restriction during the year ended December 31, 2019, were \$142,429.

6. Subsequent events

Management of the Foundation has evaluated events and transactions that occurred after December 31, 2019 through August 18, 2020, the date the financial statements were available to be issued, and has determined that no subsequent events have occurred that require recognition or disclosure in the financial statements other than those mentioned below.

As a result of the COVID-19 pandemic in the United States, economic uncertainties have arisen which are likely to negatively impact the cash flows, revenues, and costs going forward. The continuation of the pandemic may result in other financial impacts which are unknown at this time.