



PragerMetis

**Citizens Behind the Badge
Financial Statements
September 30, 2023**

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Independent Auditor's Report

To the Board of Directors of
Citizens Behind the Badge

Prager Metis CPAs, LLC

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Opinion

We have audited the accompanying financial statements of Citizens Behind the Badge (a nonprofit organization), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Citizens Behind the Badge as of September 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Citizens Behind the Badge and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Citizens Behind the Badge's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.





Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Citizens Behind the Badge's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Citizens Behind the Badge's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Prager Metis CPAs, LLC

Prager Metis CPAs, LLC
Tysons Corner, Virginia
January 17, 2024

Citizen Behind the Badge
Statement of Financial Position
September 30, 2023

Assets	
Cash	\$ 165,642
	<u>165,642</u>
Total assets	<u><u>\$ 165,642</u></u>
Liabilities and net deficit	
Liabilities	
Accounts payable	\$ 184,031
Note payable	15,000
Payroll liabilities	7,609
	<u>206,640</u>
Total liabilities	206,640
Net deficit	<u>(40,998)</u>
Total liabilities and net deficit	<u><u>\$ 165,642</u></u>

The accompanying notes are an integral part of these financial statements.

Citizens Behind the Badge
Statement of Activities
Year Ended September 30, 2023

Revenue and support	
Contributions	<u>\$ 4,147,500</u>
Total revenue and support	<u>4,147,500</u>
Expenses	
Program services	
Public advocacy	<u>1,264,631</u>
Supporting services	
Fundraising	2,520,937
Management and general	<u>362,291</u>
Total supporting services	<u>2,883,228</u>
Total expenses	<u>4,147,859</u>
Change in net deficit	(359)
Net deficit, beginning of year	<u>(40,639)</u>
Net deficit, end of year	<u><u>\$ (40,998)</u></u>

The accompanying notes are an integral part of these financial statements.

Citizens Behind the Badge
Statement of Functional Expenses
Year Ended September 30, 2023

	Program Services	Supporting Services		Total
	Public Advocacy	Fundraising	Management and General	
Consulting fees	\$ 4,122	\$ 8,759	\$ -	\$ 12,881
Advocacy	3,887	-	-	3,887
Professional fees	15,000	-	38,000	53,000
Accounting fee	-	-	36,000	36,000
Bank service charges	7,649	16,254	938	24,841
Interest	7,177	15,251	1,297	23,725
Office supplies	-	-	610	610
Dues and subscriptions	-	-	679	679
List rental	119,438	253,807	-	373,245
Contract services	21,898	46,532	-	68,430
Postage and delivery	451,970	960,437	165	1,412,572
State registration fees	7,480	-	15,894	23,374
Occupancy	1,920	-	4,080	6,000
Caging services	-	-	246,395	246,395
Website	2,899	-	-	2,899
Payroll	48,859	6,515	9,772	65,146
Mailshop and printing	570,915	1,213,193	-	1,784,108
Legal fees	-	-	1,113	1,113
Meeting expenses	-	-	7,052	7,052
Travel and entertainment	1,417	189	296	1,902
	<u>\$ 1,264,631</u>	<u>\$ 2,520,937</u>	<u>\$ 362,291</u>	<u>\$ 4,147,859</u>

The accompanying notes are an integral part of these financial statements.

Citizens Behind the Badge
Statement of Cash Flows
Year Ended September 30, 2023

Cash flows from operating activities	
Change in net deficit	\$ (359)
Change in accounts payable	45,242
Change in payroll liabilities	7,609
Net cash provided by operating activities	<u>52,492</u>
Cash flows from financing activities	
Payments on note payable	<u>(10,000)</u>
Net cash used by financing activities	<u>(10,000)</u>
Increase in cash	42,492
Cash, beginning of year	<u>123,150</u>
Cash, end of year	<u><u>\$ 165,642</u></u>
Supplemental disclosure of cash flow information	
Cash paid during the year for interest	<u><u>\$ 23,725</u></u>

The accompanying notes are an integral part of these financial statements.

Note 1 Organization and Purpose

Citizens Behind the Badge (“CBB”) was incorporated on August 28, 2020, in the Commonwealth of Virginia. The CBB was organized to become the leading voice of the American people in support of the men and women in law enforcement. CBB’s programs seek to put an end to the misguided and disastrous movement to “defund the police” and to ensure that our law enforcement professionals receive the support and resources needed to keep America safe. CBB accomplishes this through the following program:

Regulatory and Legislative Activities

Educate the general public, legislators and regulators on the law enforcement communities’ financial crises related to the “defund the police” movement being pursued in many of our Nation’s urban communities and to seek the general public’s attitudes and concerns regarding law enforcement’s activities. Encourage development of industry safety programs and training regiments. Monitor Federal and state legislative and regulatory activity affecting law enforcement and thereby, represent law enforcement’s interests to elected officials.

Note 2 Summary of Significant Accounting Policies

Basis of Accounting

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

Basis of Financial Statement Presentation

CBB presents its financial statements in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958 *Not-for-Profit Entities*. Under FASB ASC 958, CBB is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Without Donor Restrictions – Net assets not subject to donor-imposed stipulations.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that will be met either by actions of CBB and/or the passage of time or net assets subject to donor-imposed stipulations that must be maintained permanently.

Contributions

CBB records contributions in accordance with FASB ASC 958. CBB reports gifts of cash and other assets as with donor restricted revenue if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. When donor restrictions are met in the same reporting period, contributions with donor restrictions are reported as contributions without donor restrictions.

At September 30, 2023, there were no net assets with donor restrictions.

Note 2 Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and money market accounts.

Accounts Receivable

CBB records receivables net of allowances for doubtful accounts when necessary. The need for allowances is determined based on a review of the estimated collectability of the specific accounts, plus a general provision based on historical loss experience and existing economic conditions. Uncollectible amounts are charged-off against the allowances for doubtful accounts once management determines an account, or a portion thereof, to be worthless. As of September 30, 2023, there were no receivables outstanding; therefore, no allowance was required on the statement of financial position.

Property and equipment

Property and equipment is stated at cost. Depreciation is provided using the straight-line method over an estimated useful life generally of 3 years. CBB capitalizes property and equipment with a cost greater than \$1,000 and an estimated useful life greater than one year. Expenditures for maintenance and repairs are expensed as incurred. As of September 30, 2023, CBB did not have any property and equipment to depreciate.

Functional Allocation of Expenses

The costs of providing program and support activities of CBB are allocated based upon the functions they directly benefit or upon management's estimates of the proportion of these costs applicable to each function. The expenses are allocated on a reasonable basis and consistently applied. Mailshop and printing, contract services, list rental, postage and delivery, consulting fees, direct mail, bank service charges, and premiums are allocated based on a direct line count method of allocating joint costs. Payroll and travel are allocated based on the estimated time and effort of employees performing the assigned functions.

Uses of Estimates

Management uses estimates and assumptions in preparing these financial statements in conformity with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 Summary of Significant Accounting Policies (continued)

Income Taxes

CBB is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code (IRC). CBB is subject to income tax on unrelated business income. CBB did not have any unrelated business income for the year ended September 30, 2023; therefore, no income tax expense is recognized in the accompanying financial statements.

Management has evaluated CBB's tax positions and has concluded that it has taken no uncertain tax positions that require adjustment to the financial statements. CBB's federal Return of Organization Exempt from Income Tax (Form 990) is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Note 3 Leases

CBB has an operating lease for office space. The lease is a month-to-month term and can be cancelled upon 30 days' notice. The base rent is \$500 per month and is not subject to an escalation clause.

Rent expense for the year ended September 30, 2023 was \$6,000.

Note 4 Allocation of Joint Costs

For the year ended September 30, 2023, CBB incurred joint costs of \$3,943,797 for direct mail informational materials and activities that include fundraising appeals. Of those costs, \$1,183,169 was allocated to program services, \$2,514,233 was allocated to fundraising, and \$246,395 was allocated to general and administrative.

Note 5 Contingent Liabilities

CBB entered into contracts with consulting firms to assist with fundraising and program service activities. The contracts are no-risk contracts and CBB is required to pay invoices to the extent of direct mail income. If costs remain unpaid upon termination of the contracts, the consulting firms will retain a lien and an interest in the CBB's direct mail list as well as on the proceeds from the list's rental until the costs have been repaid. As of September 30, 2023, \$2,070,056 of expenses remains a potential future liability as revenue is received.

Note 6 Note Payable

On November 21, 2021, CBB entered into a loan agreement with a maturity date of December 2, 2022, for \$50,000. The interest rate is 4.25% per annum with interest only payments until maturity at which point a balloon payment was due. On September 30, 2022, the loan was amended. CBB paid \$25,000 of the principal and amended the loan to \$25,000 with a maturity date of October 2, 2023, at an interest rate of 5.50% per annum, with interest only payments due until maturity at which point a balloon payment was due. On September 28, 2023, the note was amended. The maturity date is October 2, 2026, with an interest rate of 6.75%. Monthly payments of \$448.68 are due until maturity, at which point the entire remaining amount is due. At September 30, 2023, the balance of the note payable is \$15,000 and is reflected in liabilities in the statement of financial position. The future payments on the loan are as follows:

<u>Year Ending</u>	
2024	\$ 4,505
2025	4,821
2026	<u>5,674</u>
	<u>\$ 15,000</u>

Note 7 Liquidity and Availability of Resources

CBB's financial assets available to meet cash needs for general expenditure consist of cash totaling \$165,642 which is not subject to donor or other contractual restrictions that would make it unavailable within one year of the statement of financial position date.

CBB is substantially supported by contributions from the general public which do not have donor restrictions.

Note 8 Concentration of Credit Risk

CBB maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. CBB has not experienced any losses in such accounts. CBB believes it is not exposed to any significant credit risk on cash.

Note 9 Subsequent Events

Management has evaluated subsequent events through January 17, 2024, the date which the financial statements were available to be issued.