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AUDIT REPORT

**CRIME STOPPERS OF THE UNITED STATES OF AMERICA, INC.
(A Nonprofit Organization)**

DECEMBER 31, 2015

KERSHAW CPA & ASSOCIATES, PC

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CRIME STOPPERS OF THE UNITED STATES OF AMERICA, INC.
December 31, 2015

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SCHEDULE OF FINDINGS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Crime Stoppers of the United States of America, Inc.

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of Crime Stoppers of the United States of America, Inc. (a nonprofit organization), as of and for the year ended December 31, 2015, as listed in the table of contents 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 the cash basis of accounting described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 respective statement of assets, liabilities and net assets of Crime Stoppers of the United States of America, Inc. as of December 31, 2015, and the statement of revenues, support, expenses and changes in net assets for the year then ended in conformity with the basis of accounting described in Note 1.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2016, on our consideration of the Crime Stoppers of the United States of America, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Crime Stoppers of the United States of America, Inc.'s internal control over financial reporting and compliance.

Basis of Accounting

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Kershaw CPA & Associates, P.C.

Muskogee, Oklahoma

May 9, 2016

CRIME STOPPERS OF THE UNITED STATES OF AMERICA, INC.
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS
December 31, 2015

ASSETS

Cash	\$ 49,649
Due from affiliated entity - CSEI (Note 8)	542
TOTAL ASSETS	50,191

LIABILITIES & NET ASSETS**LIABILITIES**

-

NET ASSETS

Unrestricted	46,313
Temporarily restricted (Note 2)	3,878
Permanently restricted	-

NET ASSETS	50,191
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TOTAL LIABILITIES AND NET ASSETS	\$ 50,191
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The accompanying notes are an integral part of these financial statements

CRIME STOPPERS OF THE UNITED STATES OF AMERICA, INC.
STATEMENT OF REVENUES, SUPPORT, EXPENSES CHANGES IN NET ASSETS-CASH BASIS
December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2015</u>
<u>PUBLIC SUPPORT, GAINS & OTHER REVENUES</u>				
Local program/membership assessments	\$ 71,300	\$ -	\$ -	\$ 71,300
Individual & business contributions	2,917	-	-	2,917
CSUSA conference revenue (Notes 4 & 7)	135,553	-	-	135,553
William P. Myers Fund (Note 2)	-	-	-	-
Fundraisers	-	-	-	-
Interest income	35	-	-	35
Net assets released from restrictions:				
Satisfaction of program/purpose restrictions	3,437	(3,437)	-	-
TOTAL PUBLIC SUPPORT, GAINS & OTHER REVENUES	213,242	(3,437)	-	209,805
<u>EXPENSES & LOSSES</u>				
Program services	217,860			217,860
Fundraisings	-			-
Management & general	35,522			35,522
TOTAL EXPENSES	253,382	-	-	253,382
CHANGE IN NET ASSETS	(40,140)	(3,437)	-	(43,577)
NET ASSETS, BEGINNING OF YEAR	86,038	7,315		93,353
NET ASSETS, PRIOR YR ADJUSTMENTS	415	-	-	415
NET ASSETS, END OF YEAR	\$ 46,313	\$ 3,878	\$ -	\$ 50,191

The accompanying notes are an integral part of these financial statements

CRIME STOPPERS OF THE UNITED STATES OF AMERICA, INC.
STATEMENT OF FUNCTIONAL EXPENSES - CASH BASIS
For the Year Ended December 31, 2015

<u>FUNCTIONAL EXPENSES</u>	<u>PROGRAM SERVICES</u>	<u>SUPPORT SERVICES</u>	<u>TOTALS</u> 2015
	Membership Development	Management & General	
Legal retainer (Note 5)	\$ 30,000		\$ 30,000
Reimbursable expenses-legal	2,222		2,222
Telecommunication expenses	20,670		20,670
Web hosting services	1,261		1,261
Web site development	450		450
Training	337		337
Advertising	5,454		5,454
CSUSA conference expenses (Notes 4 & 7)	120,136		120,136
Dues processing fees	400		400
Professional fees		3,000	3,000
Telephone & telecommunications		1,077	1,077
Postage, shipping & delivery		555	555
Printing & copying		514	514
Office expenses & supplies		2,064	2,064
Administrative organizational expenses		771	771
Back office fee		20,697	20,697
Insurance - non-employee		2,095	2,095
Strategic planning (Note 2)		3,437	3,437
Board travel	36,930	-	36,930
Legislative	-	1,312	1,312
Miscellaneous			-
Total Functional Expenses	<u>\$ 217,860</u>	<u>\$ 35,522</u>	<u>\$ 253,382</u>

The accompanying notes are an integral part of these financial statements

CRIME STOPPERS OF THE UNITED STATES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS-CASH BASIS
December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activity

Crime Stoppers of the United States of America, Inc. doing business as Crime Stoppers of the United States of America (CSUSA) was established in 2001 as a nonprofit agency under Chapter 181 of the Wisconsin Statutes. The Organization is exempt from Federal income taxes under its present method of operation provided in Section 501 (c) (3) of the Internal Revenue Code.

Crime Stoppers is a partnership between the community, the media and law enforcement. Crime Stoppers USA currently provides general legal counsel services to each local program at no charge as an inducement to membership for local programs and a means of protecting the Crime Stoppers brand. Crime Stoppers is publicized on a regular basis by various media outlets including print, broadcast and web-based partners. Local law enforcement agencies receive and process the anonymous tips received from Crime Stoppers programs, and solve the crimes. If the information leads to an arrest, the caller may be paid up to \$1,000 for their information by the local Crime Stoppers' program involved.

Crime Stoppers USA operates under an all-volunteer national Board of Directors whose members are elected by local Crime Stoppers organizations and no paid full-time staff.

Crime Stoppers of the United States of America, Inc. provides administrative support and services to local program members to promote best practices for the nationwide Crime Stoppers type program. It accomplishes this through training, networking, communication and encouraging cooperation among the community, law enforcement and the media to reduce crimes. Such purposes are charitable and educational within the meaning of the Tax Exempt of the Internal Revenue Code of the United States and the applicable corporate and tax laws of the State of Delaware. Revenues are derived principally from membership, business conference training fees, partner-sponsors and public donations.

CSUSA Financial Management

As a continuation of NRC services to CSUSA since 2011, CSUSA signed a memorandum of agreement (MOA) for another year with Neighbors Building Neighborhoods of Muskogee, Inc. dba "Nonprofit Resource Center" (NRC) for the purpose of clearly defining NRC financial management roles and responsibilities in the implementation of its fiscal liaison and back office work for CSUSA. NRC agrees to serve as the back office for CSUSA for a fee with specific scope of work as follows; Bookkeeping and generating monthly financial reports for CSUSA treasurer, audit assistance to independent auditor, collecting and depositing annual dues, registration fees and donations, generating dues notices, maintaining and updating CSUSA membership database, grant research, writing and reporting and maintaining a telephone line for CSUSA for a separate monthly charge. These continuing services commenced at the first day of each calendar year and ends at the last day of the year unless terminated by either party.

Basis of Accounting

The accompanying financial statements have been prepared on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Under that basis, the only asset recognized is cash and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and non-cash transactions are not recognized. The cash basis differs from generally accepted accounting principles primarily because the effects of outstanding dues for assessments and obligations unpaid at the date of the financial statements are not included. Property & equipment purchased are not capitalized and no depreciation is recognized in the financial statements.

Basis of Presentation

Financial statement presentation follows the standards of the FASB ASC 958, Not-for-Profit Entities. Under FASB ASC 958, the Organization is required to report information regarding its financial

CRIME STOPPERS OF THE UNITED STATES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS-CASH BASIS
December 31, 2015

position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Cash and Cash Equivalents

For purposes of these financial statements, the Organization considers cash and cash equivalents to be currency on hand and demand deposits with banks.

Income Taxes

The Organization observes all local, state and federal laws, which apply to a non-profit organization that is exempt from income taxes, as defined in Section 501 (c) (6) and Section 501 (c) (3) of the Internal Revenue Code. As a result, no provision for current or deferred income tax liability is recognized in the Crime Stoppers of the United States of America, Inc.'s books and records.

Crime Stoppers of the United States of America, Inc. evaluates any uncertain tax position using the provisions of ASC 450, Contingencies. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain positions in the aggregate could differ from the amount recognized. Crime Stoppers of the United States of America, Inc. does not believe that it has engaged in any activity that would result in any uncertain tax position. As a result, management does not believe that any uncertain tax positions currently exist and no loss contingency has been recognized in the accompanying financial statements. Federal and state income tax statutes dictate that tax returns filed in any of the previous three reporting periods remain open to examination. Currently, the Company has no open examination with either the Internal Revenue Service or state taxing authorities.

Funding Sources

The Organization is funded through membership dues and conference/training fees, public support/donations, earned revenues from business partnerships with other similar Crime Stoppers organizations and fundraising activities. The annual cycle of the membership dues runs from January to December of each year.

Restricted and Unrestricted Revenue and Support

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

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are reclassified to net assets and reported in the Statements of Revenue, Support, Expenses and Changes in Net Assets-Cash Basis as net assets released from restrictions. If there is any excess fund after the purpose restrictions were achieved, the Board may reclassify the temporarily restricted net assets in the statement of activities to unrestricted net assets for operating use.

Contributions whose Restrictions Are Met in the Same Year

The Organization reports donor restricted contributions as unrestricted net assets when the donor restriction is satisfied within the same period the contribution is received. If it receives a contribution with two or more temporary restrictions, the support is not reclassified from temporary restricted to unrestricted net assets until the period in which the last remaining restriction is satisfied. Incurred expenses for which both unrestricted and temporarily restricted net assets are available for use, the donor-imposed restrictions are considered to be fulfilled and the temporarily

CRIME STOPPERS OF THE UNITED STATES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS-CASH BASIS
December 31, 2015

restricted net assets are used first unless the expense is directly attributable to another specific outside source of revenue.

Reporting Expenses

The Organization reports its expenses by natural classification in its Statement of Support, Expenses and Changes in Net Assets. Functional expenses are charged directly to program or management in general categories based on specific identification. The cost of joint activities that is not identifiable with a particular component of the activity (called joint costs) is charged to management and general activities.

NOTE 2 – TEMPORARILY RESTRICTED FUND

The composition of the temporarily restricted net assets at December 31, 2015 was as follows:

	December 31, 2015
Donor restricted fund, beg - Pledge of support from William P. Myers Fund	\$ 7,315
Additional support received during the year	-
Total	7,315
Purpose restriction satisfied during the year	3,437
Temporarily restricted fund balance at 12/31/15	\$ 3,878

Said pledge of support was used to support the creation of a business plan for CSUSA or to secure fundraising and consulting services from Serra Ventures of Champaign, Illinois and develop a fundraising case for support utilizing Jerold Panas, Linzy and Partners of Chicago, Illinois. The pledge agreement further stipulates that in all applications of the donor's gift the "William P. Myers Fund" shall be appropriately recognized as the source.

NOTE 3 – RISK MANAGEMENT

Custodial Credit Risk - Deposits

The Organization maintains its cash accounts in Bank of America in Tampa, Florida. Accounts in the bank are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Bank of America is participating in the FDIC's Transaction Account Guarantee Program. Under this program, through December 31, 2015, all non-interest bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. Coverage under the Transaction Account Guarantee Program is in addition to and separate from the coverage available under the FDIC's general deposit insurance rules. At December 31, 2015 the bank had \$51,149 on deposit of which \$0- were not insured by the FDIC.

Program Risks

The organization's risk management consists of comprehensive insurance portfolio of products such as Business Owners coverage, Directors & Officers Liability, Employment Practices Liability, Crime Coverage and Fiduciary Bond coverage policy, purchased at Crime Stoppers USA Insurance Program initially administered by Lockton Risk Services. Risk management policy of the organization is being transitioned to Great American Insurance Group (MARSH), coverage similar to local programs. Management believes such coverage is sufficient to preclude any significant uninsured losses to the organization.

NOTE 4 – RELIANCE ON MAJOR DONORS

Approximately 96% of the organization's revenues (excluding the CSUSA annual conference revenue) were received from membership dues in 2015. The Organization is dependent on these dues to continue its operations. Net revenue from the CSUSA annual conference accounted for at least 21% of the total contributions/revenues received during the year. Gross conference revenue accounted for 65% of the total gross receipts for the year. 66% was from conference registration while 34% was from business sponsors of the said annual conference.

CRIME STOPPERS OF THE UNITED STATES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS-CASH BASIS
December 31, 2015

NOTE 5 – NON-CASH CONTRIBUTIONS

On November 1, 2012 Crime Stoppers USA, Inc. entered into a agreement with an independent contractor LSVT Holdings, LLC, a limited Liability Company doing business as LightSpeed VT (“LSVT”), to have LSVT create a private label version under a proprietary software-based virtual interactive training and communication system (the “LightSpeed VT System”) which will incorporate an audio-visual and graphic media content owned by CSUSA for the purpose of providing exclusive interactive online training and communications to certain authorized end users of CSUSA for a period of 3 years. LSVT donated the initial fees and production fee of these services to CSUSA at a fair value of \$96,000. As a policy, the amount was not recognized as revenue in the statement of activities during the year 2012 up to the current year.

NOTE 6 – COMMITMENTS & CONTINGENCIES

At present, the only contracted service position for the organization is the long-standing service position for the Director of legal services. The contract runs from year to year. The total amount paid for these services for the year 2015 was \$30,000.

NOTE 7 – ANNUAL CSUSA TRAINING CONFERENCE

Since the CSI Conference in Las Vegas in 2012, CSUSA has taken more responsibility of its training conferences starting in 2013. During the year 2015, CSUSA hosted the annual conference in Atlanta, GA. Net revenue raised from the training conference was \$15,417.00

NOTE 8 – RELATED PARTY TRANSACTIONS/MEDIA SPONSORS-PARTNERSHIPS

In the spring of 2015, the organization has set up a new disregarded entity LLC called Crime Stoppers Educational Institute, LLC (CSEI). The new LLC took the form and structure of CSUSA. Its management will be undertaken by the CSUSA Executive Committee as the CSEI Management Committee. CSEI will work and collaborate with Cardinal Point Strategies (CPS), a national strategic advisory and business intelligence firm, through a contractual agreement on creating a partnership that will enhance and improve the technological and training readiness of CSUSA members through building strong relationships between the public and private sector.

Currently, the organization has business partnerships with other similar Crime Stoppers organizations nationwide such as Energy Security Council and Crime Stoppers Insurance Program offered through Great American Insurance Group (MARSH).

During the year the organization is working on an agreement with Justice TV Network to broadcast in a Crime Stoppers USA program’s area at no charge to CSUSA.

It also worked with MACCO Promotions to set up the online store (at no cost to CSUSA) to make Crime Stoppers USA branded items available to members and the general public.

In 2014, the CEO of Cardinal Point Strategies (CPS), a national strategic advisory and business intelligence firm, acts as the senior advisor and strategist for the CSUSA Chairman of the Board to assist in identifying technologies and relationships with local, state and federal law enforcement agencies that facilitate inter-agency information sharing.

The organization also entered into an agreement with Alternate Channels, LLC and ADT Security Services Canada, LLC (ADT) to benefit CSUSA and member programs in fundraisings.

Management believes that partnership with these other organizations will combine forces to maximize their efforts to prevent or stop crimes and create fundraising revenues as well for the organization.

CRIME STOPPERS OF THE UNITED STATES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS-CASH BASIS
December 31, 2015

NOTE 9 - PRIOR PERIOD ADJUSTMENTS

The adjustment to beginning net assets was the result of a voided check payment for an expense that should not have been cut and recorded.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 9, 2016, which is the date the financial statements were available to be issued.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Crime Stoppers of the United States of America, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Crime Stoppers of the United States of America, Inc., as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated May 9, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Crime Stoppers of the United States of America, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Crime Stoppers of the United States of America, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Crime Stoppers of the United States of America, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiency in internal control described in the accompanying Schedule of Findings that we consider to be significant deficiency. That deficiency is listed as Item 15-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Crime Stoppers of the United States of America, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance that are required to be reported under *Government Auditing Standards*, however we noted certain matters involving internal control and other operational matters that we consider of sufficient importance to merit management attention, that

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we reported to Crime Stoppers of the United States of America Inc. in a separate written communication dated April 20, 2016.

Crime Stoppers of the United States of America, Inc.'s Response to Findings

Crime Stoppers of the United States of America, Inc.'s response to the findings identified in our audit is described in the accompanying Schedule of Findings. Crime Stoppers of the United States of America, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kershaw CPA & Associates, P.C.

Muskogee, Oklahoma

May 9, 2016

CRIME STOPPERS OF THE UNITED STATES OF AMERICA, INC.
SCHEDULE OF FINDINGS
December 31, 2015

FINDINGS ON INTERNAL CONTROL:

Item 15-01: Segregation of Duties

Criteria: A good system of internal control requires a proper segregation of duties to prevent one person from being in a position to authorize, execute, receive and record the same transaction.

Condition: Due to the size and operating structure of the Corporation, major areas of internal control that would be prevalent in a larger Organization, such as segregation of duties is not available for this operation. Duties are concentrated in the hands of a few individuals, who are responsible for all phases of the accounting functions.

Cause/Effect: The lack of segregation of duties could increase the risk that misstatements material to the financial statements could occur and not be detected on a timely manner.

Recommendation: The Board should continue to be actively involved in the operations of the organization.

Response: The Board is actively involved in the operation of the organization.

COMPLIANCE FINDINGS:

None was identified