

AUDIT REPORT

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

DECEMBER 31, 2018

KERSHAW CPA & ASSOCIATES, PC

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CRIME STOPPERS OF THE UNITED STATES OF AMERICA, INC.
December 31, 2018

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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, 2018, 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 receipts & disbursement basis of accounting (cash basis) described in Note 1. This includes determining that the cash receipts & disbursements 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 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 respective statement of assets, liabilities and net assets of Crime Stoppers of the United States of America, Inc. as of December 31, 2018, and the statement of revenues, support,

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expenses and changes in net assets for the year then ended in conformity with the cash basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17 2019, 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 solely 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 effectiveness of the Crime Stoppers of the United States of America, Inc.'s 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 receipts & disbursements 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

July 17, 2019

CRIME STOPPERS OF THE UNITED STATES OF AMERICA, INC.
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS
December 31, 2018

ASSETS

Cash	\$ 31,056
	<u>31,056</u>
TOTAL ASSETS	<u><u>31,056</u></u>

NET ASSETS

With donor restrictions	-
Without donor restrictions	31,056
	<u>31,056</u>
NET ASSETS	<u><u>31,056</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 31,056</u></u>

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
For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT, GAINS & OTHER REVENUES			
Local program/membership assessments	\$ 68,644		\$ 68,644
Individual & business contributions	2,053		2,053
CSUSA Conference revenue	158,628		158,628
Fundraising revenue - Silent Auction	2,295		2,295
Interest income	28		28
Misc earned revenues	200		200
Net assets released from restrictions:			
Satisfaction of program/purpose restrictions	-		-
TOTAL PUBLIC SUPPORT, GAINS & OTHER REVENUES	<u>231,848</u>	<u>-</u>	<u>231,848</u>
EXPENSES & LOSSES			
Program services	233,000		233,000
Management & general	17,966		17,966
TOTAL EXPENSES	<u>250,966</u>	<u>-</u>	<u>250,966</u>
CHANGE IN NET ASSETS	(19,118)		(19,118)
NET ASSETS, BEGINNING OF YEAR	50,174		50,174
NET ASSETS, PRIOR YR. ADJUSTMENTS	-		-
NET ASSETS, END OF YEAR	<u>\$ 31,056</u>	<u>\$ -</u>	<u>\$ 31,056</u>

The accompanying notes are an integral part of these financial statements

SCHEDULE 1

CRIME STOPPERS OF THE UNITED STATES OF AMERICA, INC.
SCHEDULE OF EXPENSES BOTH BY NATURE & BY FUNCTION - CASH BASIS
For the Year Ended December 31, 2018

	<u>PROGRAM SERVICES</u>	<u>SUPPORT SERVICES</u>	
	<u>Membership Development</u>	<u>Management & general</u>	<u>Total Expenses</u>
Legal retainer	\$ 36,000		\$ 36,000
Reimbursable expenses-legal	428		428
Telecommunication expenses	10,146		10,146
Website - members' support	5,314		5,314
Training	500		500
Advertising	150		150
CSUSA Conference expenses	180,462		180,462
Professional fees		2,800	2,800
Dues processing fees		1,094	1,094
Telephone & communications		817	817
Postage, shipping & delivery		200	200
Office expenses & supplies		272	272
Administrative organizational exps		3,397	3,397
Finance/service charges		45	45
Board travel		1,763	1,763
Legislative travel & other exps		7,578	7,578
Total	\$ 233,000	\$ 17,966	\$ 250,966
	93%	7%	100%

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, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activity

Crime Stoppers of the United States of America, Inc. doing business as Crime Stoppers USA (CSUSA) was established in 2001 as a nonprofit agency under the statutes of the State of Delaware. 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 USA 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 a monetary award 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.

Basis of Accounting

The accompanying financial statements have been prepared on the cash receipts & disbursements basis (cash basis) of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America. Under that basis, the only asset recognized is cash and no receivables and 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. As a result of issuance of ASU 2016-14, Accounting Standards Update, the Organization is required to report information regarding its financial position and activities according to two classes of net assets instead of the three classes of net assets: Net assets with donor restrictions, and net assets without donor restrictions.

CRIME STOPPERS OF THE UNITED STATES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS - CASH BASIS
December 31, 2018

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. The Organization's policy is to record interest and penalties in the income statement. For the year ended December 31, 2018, the organization had no interest and penalties that qualify for either recognition or disclosure in the financial statements.

Funding Sources

The Organization is funded through membership dues and mostly by private donations. Individuals, professional associations, corporations, retailers, civic and social groups are the organization's main source of revenue. The annual cycle of the membership dues runs from January to December of each year.

Revenue & Support With Donor Restrictions and Without Donor Restrictions

Contributions received are recorded as; with donor restrictions and without donor restrictions 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 net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support whether temporarily or permanently, is reported as an increase in net assets with donor restrictions, 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) the donor restricted net assets are reclassified and reported in the Statements of Activities as net assets released from restrictions. If there is any excess fund after the purpose restrictions were achieved, the Board may reclassify the donor restricted net assets in the statement of activities to net assets without donor restrictions for operating use.

Contributions whose Donor Restrictions Are Met in the Same Year

The Organization reports donor restricted contributions as net assets without donor restrictions when the donor restriction is satisfied within the same period the contribution is received. If it

CRIME STOPPERS OF THE UNITED STATES OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS - CASH BASIS
December 31, 2018

receives a contribution with two or more temporary restrictions, the support is not reclassified from donor restricted to net assets without restrictions until the period in which the last remaining restriction is satisfied. Incurred expenses for which both donors restricted and without donor restrictions net assets are available for use, the donor-imposed restrictions are considered to be fulfilled and the donor 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 both by nature and by function in its Schedule of Expenses-Cash basis statement. 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. Expenses currently paid for activities/events in the future are taken up in the statement of activities under expenses without donor restrictions.

NOTE 2 – RISK MANAGEMENT

Custodial Credit Risk - Deposits

The Organization maintains its cash accounts in Bank of America that 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, 2018, 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, 2018, the bank had \$31,491 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. Current management believes such coverage is not sufficient to preclude any significant losses to the organization, thus review of current coverage is undertaken to make sure the organization is protected for any eventualities in the future.

NOTE 3 – CONCENTRATIONS IN REVENUE

Approximately 97% of the organization's revenues (excluding the CSUSA annual conference revenue) were received from membership dues in 2018 which were received from about 330 members with dues ranging from \$100 to \$300 each. The Organization is dependent on these dues to continue its operations. Net revenue from the CSUSA annual conference accounted for at least 2% of the total contributions/revenues received during the year. Gross conference revenue

accounted for 80% of the total gross receipts for the year. 87% was from conference registration while 13% 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, 2018

NOTE 4 – 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 2018 was \$36,000 plus incidental legal expenses of \$428.

NOTE 5 – ANNUAL CSUSA TRAINING CONFERENCE

On January 2018, CSUSA paid Crime Stoppers Honolulu \$15,402 to settle the 60% share for hosting the 2017 CSUSA training conference. For the 2018 CSUSA training conference, the sharing arrangement for any residual revenues was 50% to the host and 50% to CSUSA. The actual amount paid to Crime Stoppers of Greater New Orleans for the year 2018 sharing arrangement was \$6,974, which by mistake was likely overstated by about \$2,700, effect of which overstated current year's total expenses and understated the amount of changes in net assets. If a request for refund of the overpaid amount is pursued by CSUSA's Executive Committee, the effect of the refund will be reflected in the year 2019 financials.

CSUSA disbursements for conference expenses during the year 2018 amounted to \$180,462. Out of this amount, \$15,782 was for past 2017 CSUSA training conference expenses and \$10,954 was for the 2019 CSUSA training conference venue and board's travel expenses. The 2019 CSUSA training conference will be hosted by Phoenix Silent Witness Tempe, AZ on Sept. 22-25, 2019.

NOTE 6 – RELATED PARTY TRANSACTIONS

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.

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. Per Memorandum Agreement CPS and CSEI shall split 50-50 all net profits received from programs developed and/or delivered by any third party through the Educational Institute. At the end of December 31, 2018, no profit had been shared yet. CSUSA has an outstanding receivable of \$2,054 from CSEI for the expenses paid in its behalf in 2015, 2016 & 2018 which is expected to be settled in the near future.

The organization had an agreement with Justice TV Network to broadcast in a Crime Stoppers USA program's area at no charge to CSUSA. The agreement was signed on Feb. 1, 2015 and will end on January 19, 2019.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 17, 2019, which is the date the financial statements were available to be issued.

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**INDEPENDENT AUDITOR'S 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, 2018, and the related notes to the financial statements, and have issued our report thereon dated July 17, 2019.

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 have not been 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 18-01.

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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 other operational matters that we consider of sufficient importance to merit management attention, that we reported to Crime Stoppers of the United States of America Inc. in a separate written communication dated July 17, 2019.

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 the response.

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

July 17, 2019

CRIME STOPPERS OF THE UNITED STATES OF AMERICA, INC.
SCHEDULE OF FINDINGS
December 31, 2018

FINDINGS ON INTERNAL CONTROL:

Item 18-01: 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. A finance committee including a CPA, another member with a finance background and the chair receives the bank statements and reconciliations monthly along with the balance sheet, monthly detail income and expense and comparative summary reports. The committee meets telephonically or at a minimum exchange e-mails in advance of monthly board or executive committee meetings. The board is considering additional controls as well.

COMPLIANCE FINDINGS:

None was identified