

DENVER POLICE FOUNDATION

**Financial Statements
and
Independent Auditors' Report
December 31, 2016 and 2015**

EKS&H

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DENVER POLICE FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Denver Police Foundation
Denver, Colorado

We have audited the accompanying financial statements of the Denver Police Foundation, which are comprised of the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 auditors consider 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 the Denver Police Foundation as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

The audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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June 8, 2017
Denver, Colorado

DENVER POLICE FOUNDATION

Statements of Financial Position

	December 31,	
	<u>2016</u>	<u>2015</u>
Assets		
Cash and cash equivalents	\$ 327,704	\$ 535,016
Restricted cash	18,836	18,936
Contributions receivable	20,000	60,000
Prepaid expenses	2,187	1,577
Property and equipment, net	<u>-</u>	<u>218</u>
Total assets	<u>\$ 368,727</u>	<u>\$ 615,747</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	<u>\$ 4,385</u>	<u>\$ 34,141</u>
Total liabilities	<u>4,385</u>	<u>34,141</u>
Net assets		
Unrestricted	309,806	478,715
Temporarily restricted	<u>54,536</u>	<u>102,891</u>
Total net assets	<u>364,342</u>	<u>581,606</u>
Total liabilities and net assets	<u>\$ 368,727</u>	<u>\$ 615,747</u>

See notes to financial statements.

DENVER POLICE FOUNDATION

Statements of Activities

For the Years Ended December 31,

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and other support						
Contributions						
General	\$ 181,727	\$ 15,921	\$ 197,648	\$ 70,790	\$ 140,529	\$ 211,319
Board	21,677	-	21,677	7,000	-	7,000
In-kind	50,000	-	50,000	50,000	-	50,000
Special event, net of direct expenses of \$20,711 (2016) and \$21,448 (2015)	194,082	-	194,082	153,248	-	153,248
Interest income	<u>223</u>	<u>-</u>	<u>223</u>	<u>313</u>	<u>-</u>	<u>313</u>
	447,709	15,921	463,630	281,351	140,529	421,880
Net assets released from restrictions						
Restrictions satisfied by payments	<u>64,276</u>	<u>(64,276)</u>	<u>-</u>	<u>116,574</u>	<u>(116,574)</u>	<u>-</u>
Total revenues and other support	<u>511,985</u>	<u>(48,355)</u>	<u>463,630</u>	<u>397,925</u>	<u>23,955</u>	<u>421,880</u>
Expenses						
Program services						
Public safety programs	<u>576,001</u>	<u>-</u>	<u>576,001</u>	<u>374,226</u>	<u>-</u>	<u>374,226</u>
Total program services	576,001	-	576,001	374,226	-	374,226
Supporting services						
Fundraising	39,113	-	39,113	30,327	-	30,327
Management and general	<u>65,780</u>	<u>-</u>	<u>65,780</u>	<u>56,626</u>	<u>-</u>	<u>56,626</u>
Total expenses	<u>680,894</u>	<u>-</u>	<u>680,894</u>	<u>461,179</u>	<u>-</u>	<u>461,179</u>
Change in net assets	(168,909)	(48,355)	(217,264)	(63,254)	23,955	(39,299)
Net assets at beginning of year	<u>478,715</u>	<u>102,891</u>	<u>581,606</u>	<u>541,969</u>	<u>78,936</u>	<u>620,905</u>
Net assets at end of year	<u>\$ 309,806</u>	<u>\$ 54,536</u>	<u>\$ 364,342</u>	<u>\$ 478,715</u>	<u>\$ 102,891</u>	<u>\$ 581,606</u>

See notes to financial statements.

DENVER POLICE FOUNDATION

Statements of Cash Flows

	For the Years Ended December 31,	
	<u>2016</u>	<u>2015</u>
Operating activities		
Change in net assets	\$ (217,264)	\$ (39,299)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	218	1,300
Change in operating assets and liabilities		
Prepaid expenses	(610)	4,867
Contributions receivable	40,000	-
Accounts payable and accrued expenses	<u>(29,756)</u>	<u>27,109</u>
Net cash used in operating activities	<u>(207,412)</u>	<u>(6,023)</u>
Investing activities		
Restricted cash	<u>100</u>	<u>-</u>
Net cash provided by investing activities	<u>100</u>	<u>-</u>
Net decrease in cash and cash equivalents	(207,312)	(6,023)
Cash and cash equivalents at beginning of year	<u>535,016</u>	<u>541,039</u>
Cash and cash equivalents at end of year	<u>\$ 327,704</u>	<u>\$ 535,016</u>

See notes to financial statements.

DENVER POLICE FOUNDATION

Notes to Financial Statements

Note 1 - Description of Organization and Summary of Significant Accounting Policies

Nature of Activities

The Denver Police Foundation (the “Foundation”) is a Colorado non-profit corporation that serves as a liaison with the business community, citizens, and the Denver Police Department. The Foundation’s mission is “to act as an independent and unique funding and advocacy resource for the Denver Police Department to enhance public safety and law enforcement in the Denver community.” Four strategic initiatives guide its efforts: broaden community outreach, promote officer and community safety, advance innovative technology and training, and increase awareness and recognize departmental service.

Basis of Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are those currently available at the discretion of the Board of Directors for use in the Foundation’s operations and those resources invested in equipment.

Temporarily restricted net assets are monies restricted by donors specifically for certain time periods, purposes, or programs. The Foundation reports gifts of cash and other assets as restricted 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), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. The Foundation has temporarily restricted net assets of \$54,536 as of December 31, 2016, of which \$34,536 is related to program restrictions and \$20,000 is related to time restrictions. The Foundation has temporarily restricted net assets of \$102,891 as of December 31, 2015, of which \$42,891 is related to program restrictions and \$60,000 is related to time restrictions.

Permanently restricted net assets are assets that must be maintained permanently by the Foundation as required by the donor, but the Foundation is permitted to use or expend part or all of any income derived from those assets. The Foundation has no permanently restricted net assets as of December 31, 2016 and 2015.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

DENVER POLICE FOUNDATION

Notes to Financial Statements

Note 1 - Description of Organization and Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendment applies to all not-for-profit entities. The amendment reduces the classes of net assets to *net assets with donor restrictions and net assets without donor restrictions*; removes the reconciliation of cash flows to the indirect method if using the direct method; requires the reporting of investment returns, net of expenses, with no disclosure of netted expenses required; requires the use, in the absence of explicit donor stipulations, of the placed-in-service approach for reporting expirations of restrictions on cash or other asset donations; and requires disclosure of expenses by both their natural and functional classification on the face of the statement of activities, as a separate statement, or in the notes to the financial statements. In addition, the amendment provides enhanced disclosures on amounts and purposes of board designations and appropriations, the composition of net assets with donor restrictions, the discussion of liquidity for the year following year-end, the discussion of liquidity of financial assets at year-end, the methodology used to allocate costs between program and support functions, and underwater endowment funds. The amendment is effective for all fiscal years beginning after December 15, 2017 with early adoption allowed. Entities should apply the amendment in this update retrospectively to all periods presented.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Foundation continually monitors its positions with, and the credit quality of, the financial institutions with which it invests.

Restricted Cash

Restricted cash represents amounts restricted by a donor to be maintained in a separate account.

Contributions and Contributions Receivable

Contributions, which include unconditional promises to give, are recognized as revenue in the period received. Contributions receivable consist of unconditional promises to give that are expected to be received and are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Management assesses the collectibility of contributions receivable based on specific identification and historical trends. The Foundation had \$20,000 and \$60,000 in contributions receivable as of December 31, 2016 and 2015, respectively, which is due in one year. The Foundation has not presented a discount as the amount is immaterial, nor is any allowance considered necessary.

DENVER POLICE FOUNDATION

Notes to Financial Statements

Note 1 - Description of Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment

The Foundation capitalizes equipment at cost and calculates depreciation over its estimated useful life using the straight-line method.

In-Kind Contributions

During the years ended December 31, 2016 and 2015, the value of contributed non-cash items and contributed services meeting the requirements for recognition in the financial statements have been recorded as in-kind contributions. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Foundation, but these services do not meet the criteria for recognition as contributed services.

Functional Expenses

Expenses incurred directly for a program service are charged to such service. Salary expense is allocated based on an estimate of time spent by service area. Allocations of certain overhead costs are also allocated to services based on time expended or usage.

Income Taxes

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the "IRC") and is not a private foundation within the meaning of Section 509(a) of the IRC.

The Foundation follows the guidance of Accounting Standards Codification ("ASC") Topic 740, *Accounting for Uncertainty in Income Taxes*. ASC Topic 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. If incurred, interest and penalties associated with tax positions are recorded in the period assessed as management and general expense. The Foundation has analyzed the tax positions taken and has concluded that, as of December 31, 2016, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. In December 2015, the Foundation was assessed approximately \$6,000 in interest and penalties related to alleged non-filing of a 2012 payroll tax form. This assessment was appealed, which resulted in no penalties being assessed to the Foundation. The Foundation is subject to routine audits by taxing jurisdictions.

DENVER POLICE FOUNDATION

Notes to Financial Statements

Note 2 - Property and Equipment

Property and equipment consists of the following:

	December 31,	
	2016	2015
Software	\$ 6,500	\$ 6,500
Equipment	<u>2,231</u>	<u>2,231</u>
	8,731	8,731
Less accumulated depreciation	<u>(8,731)</u>	<u>(8,513)</u>
Total	<u>\$ -</u>	<u>\$ 218</u>

Depreciation expense for the years ended December 31, 2016 and 2015 was \$218 and \$1,300, respectively.

Note 3 - Special Events

In 2016 and 2015, the Foundation held a fundraising luncheon to honor Denver Police heroes (the "DPD Hero luncheon"). Funds raised at this special event, net of certain expenses, are shown as special event revenue in 2016 and 2015.

Note 4 - Subsequent Events

The Foundation has evaluated all subsequent events through the auditors' report date, which is the date the financial statements were available to be issued, and has determined there are no material subsequent events requiring recognition or disclosure in these financial statements.

SUPPLEMENTARY INFORMATION

DENVER POLICE FOUNDATION

**Statement of Functional Expenses
For the Year Ended December 31, 2016**

	Program Services	Supporting Services		Total
	Public Safety Programs	Fundraising	Management and General	
Innovation and training	\$ 337,765	\$ -	\$ -	\$ 337,765
Promote officer and community safety	12,420	-	-	12,420
Broaden community outreach	126,998	-	-	126,998
Recognition	20,892	-	-	20,892
DPD Hero luncheon expense	-	24,742	-	24,742
Other fundraising expense	-	1,577	-	1,577
Payroll	77,926	12,794	25,587	116,307
Professional fees	-	-	18,778	18,778
Office supplies	-	-	3,339	3,339
Administrative	-	-	14,716	14,716
Meals and entertainment	-	-	1,060	1,060
Insurance	-	-	2,082	2,082
Depreciation	-	-	218	218
Total expenses	\$ 576,001	\$ 39,113	\$ 65,780	\$ 680,894

DENVER POLICE FOUNDATION

**Statement of Functional Expenses
For the Year Ended December 31, 2015**

	Program Services	Supporting Services		Total
	Public Safety Programs	Fundraising	Management and General	
Innovation and training	\$ 108,363	\$ -	\$ -	\$ 108,363
Technology	39,386	-	-	39,386
Promote officer and community safety	18,537	-	-	18,537
Collaboration	13,268	-	-	13,268
Broaden community outreach	45,894	-	-	45,894
Recognition	73,472	-	-	73,472
Community involvement	23,130	-	-	23,130
DPD Hero luncheon expense	-	20,287	-	20,287
Other fundraising expense	-	1,474	-	1,474
Payroll	52,176	8,566	17,132	77,874
Professional fees	-	-	18,713	18,713
Office supplies	-	-	1,287	1,287
Administrative	-	-	15,786	15,786
Meals and entertainment	-	-	94	94
Insurance	-	-	2,314	2,314
Depreciation	-	-	1,300	1,300
Total expenses	<u>\$ 374,226</u>	<u>\$ 30,327</u>	<u>\$ 56,626</u>	<u>\$ 461,179</u>