

**PEACE OFFICERS RESEARCH ASSOCIATION OF
CALIFORNIA AND AFFILIATED ORGANIZATIONS**

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018

WITH
INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANTS' AUDIT REPORT

**PEACE OFFICERS RESEARCH ASSOCIATION OF
CALIFORNIA AND AFFILIATED ORGANIZATIONS**
TABLE OF CONTENTS
DECEMBER 31, 2019 AND 2018

<u>Item</u>	<u>Page</u>
Independent Certified Public Accountants' Audit Report	i
Consolidated Statement of Financial Position	1
Consolidated Statement of Activities	2
Consolidated Statement of Functional Expenses	4
Consolidated Statement of Cash Flows.....	6
Notes to the Financial Statements	7

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS' AUDIT REPORT

To the Board of Directors
Peace Officers Research Association of California
and Affiliated Organizations
Sacramento, California

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Peace Officers Research Association of California and Affiliated Organizations (PORAC), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

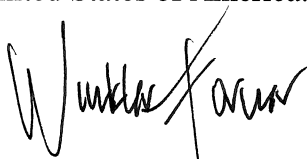
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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.

Auditors' Responsibility, continued...

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 Peace Officers Research Association of California and Affiliated Organizations as of December 31, 2019 and 2018, and the changes in their net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read 'Winkler', is written over a horizontal line.

Sacramento, California
July 22, 2020

**PEACE OFFICERS RESEARCH ASSOCIATION OF
CALIFORNIA AND AFFILIATED ORGANIZATIONS**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS

Current Assets:

Cash	\$ 7,022,886	\$ 6,724,893
Money Market Funds	5,747,857	4,367,111
Investments	9,202,252	6,773,555
Receivables and Other Current Assets	319,404	195,910
Total Current Assets	22,292,399	18,061,469

Property, Plant and Equipment:

Land	752,652	752,652
Building	2,667,415	2,662,615
Office equipment	982,447	952,137
Automobiles	213,985	173,985
Total Property, Plant and Equipment	4,616,499	4,541,389
Accumulated Depreciation	(1,918,816)	(1,778,791)
Net Property, Plant and Equipment	2,697,683	2,762,598

Total Assets	\$ 24,990,082	\$ 20,824,067
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable and Accrued Expenses	\$ 339,702	\$ 204,738
Unearned Revenue	1,274,234	1,265,112
Total Current Liabilities	1,613,936	1,469,850

Total Liabilities	1,613,936	1,469,850
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Net Assets

Without Donor Restriction		
Board Designated	203,122	235,287
Undesignated	11,480,258	9,844,286
Total Unrestricted Net Assets	11,683,380	10,079,573
With Donor Restriction	11,692,766	9,274,644
Total Net Assets	23,376,146	19,354,217

Total Liabilities and Net Assets	\$ 24,990,082	\$ 20,824,067
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**PEACE OFFICERS RESEARCH ASSOCIATION OF
CALIFORNIA AND AFFILIATED ORGANIZATIONS**
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Net Assets without Restriction	Net Assets with Restriction	2019 Total
Revenues:			
Membership Dues and Contributions	\$ 3,056,652	\$ 3,432,440	\$ 6,489,092
Advertising	890,773	0	890,773
Investment Income	297,679	181,660	479,339
Rental Income	56,102	0	56,102
Reimbursable Grant Funding	45,453	0	45,453
Net Realized and Unrealized Gain/(Loss) on Investments	1,200,755	114,370	1,315,125
Conferences and Seminars	302,732	0	302,732
Administration Fees	50,049	0	50,049
Net Assets Released from Restrictions	1,310,348	(1,310,348)	0
Total Revenues	7,210,543	2,418,122	9,628,665
Expenses			
Program:			
Legislative	547,769	0	547,769
Political Contributions	767,545	0	767,545
Magazine Publishing	869,503	0	869,503
Conferences and Seminars	578,013	0	578,013
Memorial and Scholarship	50,000	0	50,000
Total Program Expenses	2,812,830	0	2,812,830
Management and General:			
Executive	841,821	0	841,821
Administration	1,346,487	0	1,346,487
Fixed Overhead	605,598	0	605,598
Total Management and General Expenses	2,793,906	0	2,793,906
Total Expenses	5,606,736	0	5,606,736
Change in Net Assets	1,603,807	2,418,122	4,021,929
Net Assets, Beginning of Year	10,079,573	9,274,644	19,354,217
Net Assets, End of Year	\$ 11,683,380	\$ 11,692,766	\$ 23,376,146

Continued...

**PEACE OFFICERS RESEARCH ASSOCIATION OF
CALIFORNIA AND AFFILIATED ORGANIZATIONS**
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Net Assets without Restriction	Net Assets with Restriction	2018 Total
Revenues:			
Membership Dues and Contributions	\$ 2,991,342	\$ 3,420,088	\$ 6,411,430
Advertising	826,773	0	826,773
Investment Income	255,615	133,463	389,078
Rental Income	47,974	0	47,974
Net Realized and Unrealized Gain/(Loss) on Investments	(663,586)	(68,442)	(732,028)
Conferences and Seminars	275,725	0	275,725
Administration Fees	57,151	0	57,151
Net Assets Released from Restrictions	1,722,019	(1,722,019)	0
Total Revenues	5,513,013	1,763,090	7,276,103
Expenses			
Program:			
Legislative	549,177	0	549,177
Political Contributions	1,381,263	0	1,381,263
Magazine Publishing	789,623	0	789,623
Conferences and Seminars	329,952	0	329,952
Memorial and Scholarship	50,000	0	50,000
Total Program Expenses	3,100,015	0	3,100,015
Management and General:			
Executive	664,521	0	664,521
Administration	1,047,900	0	1,047,900
Fixed Overhead	546,294	0	546,294
Total Management and General Expenses	2,258,715	0	2,258,715
Total Expenses	5,358,730	0	5,358,730
Change in Net Assets	154,283	1,763,090	1,917,373
Net Assets, Beginning of Year	9,925,290	7,511,554	17,436,844
Net Assets, End of Year	\$ 10,079,573	\$ 9,274,644	\$ 19,354,217

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

PEACE OFFICERS RESEARCH ASSOCIATION OF CALIFORNIA AND AFFILIATED ORGANIZATIONS
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

Expenses	Program Activities					Management & General Activities			Total
	Legislative	Political	Magazine Publishing	Conferences & Seminars	Memorial & Scholarship	Executive Administration	Overhead	Fixed	
Administration Fees	0	0	0	0	0	6,000	0	0	6,000
Advertising Commissions	0	0	314,496	0	0	0	0	0	314,496
Advertising	0	5,000	0	0	0	12,600	0	0	17,600
Automobile	0	0	0	0	0	1,908	0	0	1,908
Basic AD&D Expense	0	0	0	0	0	27,153	0	0	27,153
Books, Subscriptions & Reference Exp.	0	0	0	6,795	0	4,582	0	0	11,377
Chapter Expense	0	0	0	0	0	0	0	0	68,904
Computer & Internet	0	0	0	0	0	37,508	0	10,296	47,804
Conference Expense	0	0	0	411,602	0	0	0	0	411,602
Depreciation	0	0	0	0	0	0	0	140,025	140,025
Employee Benefits	0	0	0	0	0	0	0	0	117,256
Equipment Leasing	0	0	0	0	0	117,256	0	0	117,256
Gifts/Donations	0	0	0	0	0	0	0	13,666	13,666
Insurance	0	0	0	0	0	9,792	0	0	9,792
Investment Fees	0	0	0	0	0	83,478	0	(904)	82,574
Janitorial Fees	0	0	0	0	0	2,951	0	71,123	74,074
Lobbying Expense	547,769	0	0	0	0	0	0	22,828	22,828
Meetings	0	0	0	2,638	0	0	0	0	2,638
Membership Dues	0	0	0	0	0	2,183	0	0	2,183
Merchant Card Fees	0	0	0	0	0	720	0	0	720
Miscellaneous	0	0	0	0	0	50,985	0	0	50,985
National Issues Expense	0	0	0	0	0	8,251	0	0	8,251
Office Expense	0	0	0	0	0	32,109	0	0	32,109
Organizational Expenses	0	0	0	0	0	0	25,900	0	25,900
Payroll Processing	0	0	0	0	0	0	250	0	250
Payroll Taxes	0	0	0	0	0	0	6,893	1,415	8,308
Political Contributions	0	0	0	0	0	0	47,697	0	47,697
Postage	0	762,545	0	0	0	0	0	0	762,545
Printing	0	0	186,233	0	0	0	20,906	0	207,139
Professional Fees	0	0	368,774	1,904	0	0	0	0	370,678
Promotional Merchandise	0	0	0	0	0	8,840	0	181,889	190,729
Property Tax	0	0	0	0	0	0	0	0	8,840
Reception	0	0	0	0	0	0	0	47,565	47,565
Release Time	0	0	0	0	0	0	10,064	0	10,064
Repairs & Maintenance	0	0	0	0	0	219,033	0	0	219,033
Retention & Recruitment	0	0	0	0	0	0	0	48,698	48,698
Salaries & Wages	0	0	0	0	0	18,699	0	0	18,699
Scholarship Expense	0	0	0	693	50,000	36,000	533,615	0	570,308
Seminar Expense	0	0	0	0	0	0	0	0	50,000
Taxes	0	0	0	153,933	0	0	0	0	153,933
Travel	0	0	0	0	0	0	0	4,257	4,257
Utilities	0	0	0	448	0	311,050	0	0	311,478
Total	547,769	767,545	869,503	578,013	50,000	841,821	1,346,487	605,598	5,606,736

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

PEACE OFFICERS RESEARCH ASSOCIATION OF
CALIFORNIA AND AFFILIATED ORGANIZATIONS
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

Expenses	Program Activities					Management & General Activities			Total
	Legislative	Political	Magazine Publishing	Seminars & Conferences	Memorial & Scholarship	Executive	Administration	Fixed Overhead	
Administration Fees	0	0	0	0	0	0	6,000	0	6,000
Advertising Commissions	0	0	288,987	0	0	0	0	0	288,987
Advertising	0	104,813	0	0	0	0	12,100	0	116,913
Automobile	0	0	0	0	0	0	4,200	0	4,200
Basic ADD&D Expense	0	0	0	0	0	0	27,153	0	27,153
Books, Subscriptions & Reference Exp.	0	0	0	8,418	0	0	8,921	0	17,339
Chapter Expense	0	0	0	0	0	101,860	0	0	101,860
Computer & Internet	0	0	0	0	0	0	35,632	10,927	46,559
Conference Expense	0	0	0	201,290	0	0	0	0	201,290
Depreciation	0	0	0	0	0	0	0	130,038	130,038
Employee Benefits	0	0	0	0	0	0	0	0	0
Equipment Leasing	0	0	0	0	0	0	114,490	0	114,490
Gifts/Donations	0	0	0	0	0	0	0	13,899	13,899
Insurance	0	0	0	0	0	0	105,790	0	125,004
Investment Fees	0	0	0	0	0	0	11,076	7,288	99,456
Janitorial Fees	0	0	0	0	0	0	7,508	61,858	72,571
Lobbying Expense	549,177	0	0	0	0	0	0	17,514	17,514
Meetings	0	0	0	0	0	0	205	0	4,161
Membership Dues	0	0	0	3,956	0	0	309	0	309
Merchant Card Fees	0	0	0	0	0	48,890	0	0	48,890
Miscellaneous	0	0	0	0	0	0	6,018	0	6,018
National Issues Expense	0	0	0	0	0	0	0	0	0
Office Expense	0	0	0	0	0	15,454	0	0	15,454
Organizational Expenses	0	0	0	0	0	0	25,912	0	25,912
Payroll Processing	0	0	0	0	0	0	2,967	1,340	1,600
Payroll Taxes	0	0	0	0	0	0	49,197	0	2,967
Political Contributions	0	1,276,450	0	0	0	0	0	0	1,276,450
Postage	0	0	163,217	0	0	0	7,405	0	170,622
Printing	0	0	337,419	0	0	0	278	0	340,745
Professional Fees	0	0	0	3,048	0	0	0	0	297,629
Promotional Merchandise	0	0	0	0	0	11,888	147,445	150,184	11,888
Property Tax	0	0	0	0	0	0	0	45,472	45,472
Reception	0	0	0	0	0	0	6,294	0	6,294
Refurbishment Expense	0	0	0	0	0	0	5,000	0	5,000
Release Time	0	0	0	0	0	66,491	0	0	66,491
Repairs & Maintenance	0	0	0	0	0	0	0	0	0
Retention & Recruitment	0	0	0	0	0	7,211	0	35,942	35,942
Salaries & Wages	0	0	0	0	0	36,000	460,072	0	496,072
Scholarship Expense	0	0	0	0	50,000	0	0	0	50,000
Seminar Expense	0	0	0	113,240	0	0	3,668	0	116,908
Taxes	0	0	0	0	0	273,216	0	7,598	7,598
Travel	0	0	0	0	0	0	0	0	273,216
Utilities	0	0	0	0	0	0	0	64,234	64,234
Total	549,177	1,381,263	789,623	329,952	50,000	664,521	1,047,900	546,294	5,338,730

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

**PEACE OFFICERS RESEARCH ASSOCIATION OF
CALIFORNIA AND AFFILIATED ORGANIZATIONS**
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash Flows from Operating Activities:		
Cash Received from Membership Contributions and Customers	\$ 7,810,233	\$ 7,875,898
Cash Paid to Suppliers and Employees	(5,473,996)	(5,363,792)
Interest, Dividends and Rents Received	535,440	437,051
Income Taxes Paid	(4,257)	(7,598)
Net Cash Provided by (Used in) Operating Activities	2,867,420	2,941,559
Cash Flows from Investing Activities:		
Purchase of Investments	(2,609,480)	(3,256,694)
Proceeds From Sale of Investments	115,163	1,298,059
Proceeds From Sale of Assets	0	0
Purchase of Property and Equipment	(75,110)	(77,572)
Net Cash Provided by (Used in) Investing Activities	(2,569,427)	(2,036,207)
Net Increase (Decrease) in Cash	297,993	905,352
Cash, Beginning of Year	6,724,893	5,819,541
Cash, End of Year	\$ 7,022,886	\$ 6,724,893
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Change in Net Assets	4,021,929	1,917,373
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	140,025	130,038
Net Realized and Unrealized (Gain) Loss on Investments	(1,315,125)	732,028
Loss on Sale of Assets	0	0
Change in Operating Assets and Liabilities:		
Receivables and Other Current Assets	(123,494)	48,426
Accounts Payable and Accrued Expenses	134,964	(101,173)
Unearned Revenue	9,121	214,867
Net Cash Provided by (Used in) Operating Activities	\$ 2,867,420	\$ 2,941,559

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

**PEACE OFFICERS RESEARCH ASSOCIATION OF
CALIFORNIA AND AFFILIATED ORGANIZATIONS**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 1 - Nature of Organization

Peace Officers Research Association of California and Affiliated Organizations (PORAC) is a nonprofit voluntary membership organization. The membership is comprised of public safety officers from member associations within California and Nevada. PORAC was formed in 1952 and its objectives are to unite all persons within its jurisdiction for their economic, professional and social advancement and to assist all public safety officers in seeking adequate compensation for the performance of their professional duties and to improve employment conditions. This is accomplished through collective legal activities, collective efforts in all areas of labor presentation, collective attempts to insure themselves and their families against health, disability, accident, and any other problems that may occur.

Note 2 - Summary of Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of Peace Officers Research Association of California and its member chapters as well as the following organizations and committees:

- Peace Officers Relief and Education Foundation (POREF), a public benefit corporation devoted to educational and charitable purposes;
- Peace Officers Research Association of California Political Action Committee (PAC), a corporation formed to accept contributions and make expenditures solely for political purposes; and
- Insurance and Benefits Committee (I & B Committee), a committee of Peace Officers Research Association of California that oversees the development of member insurance benefits.

Within POREF are the Peace Officers Research Association of California Scholarship Fund, Memorial Fund, and Relief Fund. The Scholarship Fund is used to award scholarships to applicants. The Memorial Fund is used to support the creation of the California Peace Officers' Monument and memorial ceremonies that take place annually at the State Capitol in Sacramento, California. The Relief Fund was established to administer charitable programs that may be necessary to assist law enforcement personnel in times of financial need, including providing donations to other charitable organizations that are recognized 501(c)(3) organizations.

Within PAC are the Political Issues Committee (PIC), Statewide Independent Expenditures Committee (IEC) and Voter Guide (VG).

These organizations and committees are consolidated because of common control through majority voting interest in the boards of directors and commonality of their program purposes.

**PEACE OFFICERS RESEARCH ASSOCIATION OF
CALIFORNIA AND AFFILIATED ORGANIZATIONS**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Consolidation (continued)

Transactions and balances between Peace Officers Research Association of California and its affiliates have been eliminated in the consolidated financial statements. These consolidated entities are referred to as PORAC.

Basis of Presentation

PORAC presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 958, Subtopic 205, *Not-for-Profit Entities - Presentation of Financial Statements* (FASB ASC 958-205). On August 18, 2016 the FASB issued ASU 2016-14 Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities. Under the amended FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

Net assets with donor restriction result from contributions and other inflows of assets the use of which is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of management pursuant to those stipulations. Net assets without restriction are the part of net assets that are not restricted by donor-imposed stipulations. Net assets with donor restriction include unspent political contributions in the PAC and charitable and educational contributions in POREF.

Board designated net assets are a subcategory of unrestricted net assets representing funds designated by the board of directors for future replacement of automobiles, the Labor Relations Program and other expenditures.

Cash and Cash Equivalents

For cash flow reporting purposes, cash and cash equivalents include highly liquid investments with maturities of three months or less when purchased. PORAC maintains its cash balances in institutions that are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At times, the bank account balances may exceed federally insured limits. Total uninsured cash balances at December 31, 2019 and 2018 were \$11,902,119 and \$10,092,105, respectively. As of December 31, 2019 and 2018 \$5,747,857 and \$4,367,111 of these uninsured funds were invested in money market funds in an effort to maintain the highest possible return while maintaining the lowest risk investment possible in an effort to maintain the liquidity of these funds.

**PEACE OFFICERS RESEARCH ASSOCIATION OF
CALIFORNIA AND AFFILIATED ORGANIZATIONS**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents (continued)

Member Associations are grouped geographically into chapters. All Chapters are required to report their cash activity and balances to PORAC. Such cash balances totaled \$404,076 and \$343,820 at December 31, 2019 and 2018, respectively, and are included in cash.

Investments

Investments are held in accounts with UBS Financial Services, Inc. Investments in securities are reported at fair value based on quoted market prices for debt and marketable equity securities, futures funds and published unit values for mutual funds. Realized and unrealized gains and losses are reflected in the statements of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Property, Plant and Equipment

Property, plant and equipment include long-lived assets with an original purchase cost of \$1,000 or more. Depreciation is computed using the straight-line method over useful lives ranging from two to forty years. Depreciation expense recorded for the years ended December 31, 2019 and 2018 was \$140,025 and \$130,038, respectively.

Income Taxes

PORAC and I & B Committee are exempt from Federal and California income taxes under Internal Revenue Code (IRC) section 501(c)(5) and California Revenue and Taxation Code (RTC) section 23701a as labor organizations. PAC, IEC, and VG are exempt from Federal and California income taxes under IRC section 527 and RTC section 23701r as political organizations. POREF is exempt from Federal and California income taxes under IRC section 501(c)(3) and RTC section 23701d as a charitable and educational organization and is not a private foundation. Accordingly, there is no provision for income taxes on the operations of PORAC, I & B Committee, PAC, IEC, VG, and POREF other than on income subject to unrelated business income tax. PORAC also pays the California corporation and partnership fees for CalCops, LP and CalCops LLC, organizations with which PORAC is a partner.

PORAC has adopted provisions of FASB ASC 740-10, *Income Taxes*. Accordingly, tax related assets and liabilities are recognized to the extent it is more likely than not that the reporting entity's tax treatment would be sustained in the event of an examination by the taxing authorities. After they are filed PORAC's income tax returns remain subject to examination by taxing authorities generally three years for federal returns and four years for state returns.

**PEACE OFFICERS RESEARCH ASSOCIATION OF
CALIFORNIA AND AFFILIATED ORGANIZATIONS**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Accounts Receivable and Other Current Assets

Accounts receivable consisted of \$38,931 and \$61,943 of trade receivables, as of December 31, 2019 and 2018, respectively. Based on prior years experiences, no allowance for doubtful accounts was determined and management expects the full amount of receivables to be collected. Please see Note 8 for further disclosure on the amounts due from affiliates.

Other current assets were comprised of \$280,473 and \$133,967 of prepaid expenses as of December 31, 2019 and 2018, respectively.

Fair Value Measurements

PORAC has adopted the provisions of FASB ASC 820-10, *Fair Value Measurements and Disclosures*, which defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements for fair value measurements.

FASB ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. PORAC determines the fair values of its assets and liabilities based on the fair value hierarchy established in FASB ASC 820-10.

The standard describes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that PORAC has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an on-going basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect PORAC's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include PORAC's own data.

Investments in mutual funds are reported at fair value based on quoted market prices of identical assets traded in active markets. Money market accounts are by nature stated at fair market value, and have been included in the money market funds line item on the statement of financial position, but is considered a cash equivalent per adherence to the previously described accounting policy under *cash and cash equivalents*.

**PEACE OFFICERS RESEARCH ASSOCIATION OF
CALIFORNIA AND AFFILIATED ORGANIZATIONS**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Membership Dues

Member Associations remit per capita dues quarterly. A portion of such dues as determined by the board of directors is for the benefit of the PAC, and the remainder is available for general use. Unearned revenue includes cash received as of December 31 each year representing member dues for the first quarter of the next year.

To support the Chapters' programs, PORAC rebates to the Chapters 5% of dues paid timely by the Chapters' Associations. Dues rebates are reported as expenses under the Management and General expenses category.

Contributions to Memorial Fund, Scholarship Fund and Relief Fund are used to maintain peace officer memorials, provide educational grants to students of law enforcement families, and provide financial assistance to law enforcement personnel or donations to recognized 501(c)(3) charitable organizations, respectively. Contributions to either fund are tax deductible by the donor. All monies received on behalf of these funds is considered donations and as such are recorded as income in the period received.

Advertising Costs

Advertising costs are expensed when incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expenses

The costs of providing program services and supporting services have been summarized on a functional basis on the statements of functional expenses. Management has elected to use the functional allocations as follows: Legislative, Voter Guide Publishing, Political, Magazine Publishing, Conferences and Seminars and Memorial & Scholarship as program expenses and Executive, Administration and Fixed Overhead as Management and General Activities or Supporting Activities. Indirect costs are allocated when necessary by management using an appropriate allocation factor.

**PEACE OFFICERS RESEARCH ASSOCIATION OF
CALIFORNIA AND AFFILIATED ORGANIZATIONS**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Liquidity Management

PORAC's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash in Bank	7,022,886
Money Market Funds	5,747,857
Investments	9,202,252
Receivables	38,931
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Total	22,011,926
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As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. PORAC has a goal to maintain financial assets, which consist of cash and receivables, on hand to meet 6 months of normal operating expenses, which are, on average approximately \$2.7 Million. In addition, PORAC strives to invest cash in excess of daily requirements in short-term investments including money market funds and mutual funds. To help manage unanticipated liquidity needs.

Going Concern

In August 2014, FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (Subtopic 205-40). This ASU requires management to evaluate whether there are conditions or events, considered in the aggregate that raise substantial doubt about the entity's ability to continue as a going concern, which is currently performed by the external auditors. Management is required to perform this assessment for both interim and annual reporting periods and must make certain disclosures if it concludes that substantial doubt exists. The adoption of this standard by management did not have any effect on the combined financial statements, as management has concluded that substantial doubt does not exist with regard to the Local Union's ability to continue as a going concern.

Note 3 - Investments

Investment income consisted of the following at December 31:

Description	2019	2018
Interest & Dividends	479,339	389,078
Unrealized & Realized Gains (Losses)	1,315,125	(732,028)
Investment Income	1,794,464	(342,950)
Investment Expenses	(80,718)	(72,571)
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Net Investment Income	1,713,746	(415,521)
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**PEACE OFFICERS RESEARCH ASSOCIATION OF
CALIFORNIA AND AFFILIATED ORGANIZATIONS**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 3 - Investments (continued)

Investments consisted of the following at December 31, 2019 and 2018:

	2019	2018
Money market & cash accounts	5,747,857	4,367,352
Mutual funds:		
Equities	6,894,941	5,021,537
Fixed income	2,307,311	1,752,019
Total	14,950,109	11,140,908

Note 4 - Retirement Plan

PORAC sponsors a noncontributory (employer contributions only) defined contribution retirement plan which covers substantially all employees who have worked for the organization one full calendar year. The plan is a Simplified Employee Pension and benefits are immediately vested. PORAC contributes approximately 10% of eligible participants' annual compensation, totaling \$39,667 and \$40,606, for the years ended December 31, 2019 and 2018, respectively.

Note 5 - Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, PORAC's assets at fair value as of December 31, 2019 and 2018:

Assets at Fair Value as of December 31, 2019

	Level 1	Level 2	Level 3	Total
Money market & cash	5,747,857	-	-	5,747,857
Mutual funds	9,202,252	-	-	9,202,252
Total assets at fair value	14,950,109	-	-	14,950,109

Assets at Fair Value as of December 31, 2018

	Level 1	Level 2	Level 3	Total
Money market & cash	4,367,352	-	-	4,367,352
Mutual funds	6,773,556	-	-	6,773,556
Total assets at fair value	11,140,908	-	-	11,140,908

**PEACE OFFICERS RESEARCH ASSOCIATION OF
CALIFORNIA AND AFFILIATED ORGANIZATIONS**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 6 - Contingencies

PORAC is a party to legal proceedings generally incidental to its business. Although the final outcome of any of the legal proceedings cannot be predicted with any degree of certainty, PORAC presently believes that any ultimate liability resulting from any of such legal proceedings would not have a material adverse effect on PORAC's financial position.

Note 7 - Unrestricted Board Designated and Net Assets with Restriction

Unrestricted board designated net assets are available for the following purposes at December 31, 2019 and 2018:

	2019	2018
Labor relations program assistance	152,765	161,997
Housing furniture replacement	13,062	13,062
Computer upgrade	37,295	45,182
Auto replacement	0	15,046
Total board designated net assets	203,122	235,287

Net assets with restriction are available for the following purposes at December 31, 2019 and 2018:

	2019	2018
PAC - for political contributions	10,801,041	8,506,345
Memorial Fund - for charitable activities	404,631	311,762
Relief Fund - for charitable activities	93,392	111,661
Scholarship Fund - for educational activities	393,702	344,876
Total Net Assets with Restriction	11,692,766	9,274,644

Note 8 - Related Parties

PORAC provides office space and a number of management services to the Insurance and Benefits Trust of PORAC. PORAC is the plan sponsor for the Insurance and Benefits Trust of PORAC. Charges for rent and management services totaled \$56,102 and \$59,196 for the years ended December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018, \$5,587 and \$18,914, respectively was receivable from Insurance and Benefits Trust of PORAC for space rent, expenses paid on behalf of the Trust by PORAC and membership dues inadvertently paid to the Trust which are due to PORAC.

**PEACE OFFICERS RESEARCH ASSOCIATION OF
CALIFORNIA AND AFFILIATED ORGANIZATIONS**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 9 - Income Taxes

The provision for current federal and state income taxes consisted of the following for the years ended December 31, 2019 and 2018:

	2019	2018
Federal income tax expense	1,679	3,042
State income tax expense	2,578	4,556
Provision for income taxes	4,257	7,598

Note 10 - Subsequent Events

The management of the Organization has reviewed the results of operations and evaluated subsequent events for the year ended December 31, 2019 through July 22, 2020, the date the financial statements were available to be issued and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.