

NATIONAL POLICE ACCOUNTABILITY PROJECT, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NATIONAL POLICE ACCOUNTABILITY PROJECT, INC.
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DECEMBER 31, 2024

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
National Police Accountability Project, Inc.
Kansas City, Kansas

Opinion

I have audited the accompanying financial statements of National Police Accountability Project, Inc., which comprise the statement of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of National Police Accountability Project, Inc. as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted the audit in accordance with auditing standards generally accepted in the United States of America (GAAS). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report. I am required to be independent of National Police Accountability Project, Inc. and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to the audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation for the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about National Police Accountability Project, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of National Police Accountability Project, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about National Police Accountability Project, Inc.'s ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and internal control related matters identified during the audit.

Wai-Fong Lee, CPA

New York, NY
July 31, 2025

**NATIONAL POLICE ACCOUNTABILITY PROJECT, INC.
SCHEDULE OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31,**

| | 2024 | 2023 |
|--|---------------------|---------------------|
| <u>ASSETS</u> | | |
| <u>Current assets:</u> | | |
| Cash and cash equivalents | \$ 444,595 | \$ 590,408 |
| Investments | 2,869,022 | 3,109,021 |
| Pledge receivable | 96,500 | - |
| Other receivable | 3,168 | 3,212 |
| Prepaid expenses | 10,244 | 8,181 |
| Total current assets | 3,423,529 | 3,710,822 |
| Office equipment, net | 11,097 | 6,342 |
| Total Assets | \$ 3,434,626 | \$ 3,717,164 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| <u>Liabilities:</u> | | |
| Accounts payable and accrued expenses | \$ 17,052 | \$ 16,334 |
| Accrued vacation payable | 27,390 | 18,351 |
| Taxes payable | 525 | 525 |
| Other current liabilities | 6,978 | 2,791 |
| Deferred revenue | 79,757 | 72,476 |
| Total liabilities | 131,702 | 110,477 |
| <u>Net assets:</u> | | |
| Without donor restrictions | 2,912,668 | 3,438,736 |
| With donor restrictions | 160,238 | 152,113 |
| Unrealized gains/(losses) on available for sale securities | 230,018 | 15,838 |
| Total net assets | 3,302,924 | 3,606,687 |
| Total Liabilities and Net Assets | \$ 3,434,626 | \$ 3,717,164 |

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

NATIONAL POLICE ACCOUNTABILITY PROJECT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31,

| | 2024 | | | 2023 |
|---|----------------------------------|----------------------------|---------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| <u>Revenue and Support</u> | | | | |
| Contributions and grants | \$ 625,538 | \$ 68,767 | \$ 694,305 | \$ 458,966 |
| Membership dues | 107,005 | | 107,005 | 117,549 |
| Referral list fees | 8,448 | | 8,448 | 8,117 |
| Section 1983 subscriptions | 4,846 | | 4,846 | 8,904 |
| Royalties | 4,000 | | 4,000 | 4,635 |
| Seminar registration fees | 25,827 | | 25,827 | 25,691 |
| Investment income | 86,894 | | 86,894 | 103,447 |
| Other income | 2,982 | | 2,982 | 6,218 |
| In-kind revenue | 20,700 | | 20,700 | - |
| Net assets released from restrictions | 60,642 | (60,642) | - | |
| | <u>946,882</u> | <u>8,125</u> | <u>955,007</u> | <u>733,527</u> |
| <u>Expenses</u> | | | | |
| Program services | 1,158,673 | | 1,158,673 | 710,561 |
| General and administrative | 117,586 | | 117,586 | 92,566 |
| Fundraising | 158,608 | | 158,608 | 128,592 |
| Total liabilities | <u>1,434,867</u> | <u>-</u> | <u>1,434,867</u> | <u>931,719</u> |
| Deficiency of revenue and support over expenses | <u>(487,985)</u> | <u>8,125</u> | <u>(479,860)</u> | <u>(198,192)</u> |
| <u>Other income and expenses</u> | | | | |
| Realized capital losses (net of capital gains) | (38,083) | | (38,083) | (43,036) |
| | <u>(38,083)</u> | <u>-</u> | <u>(38,083)</u> | <u>(43,036)</u> |
| Change in net assets | (526,068) | 8,125 | (517,943) | (241,228) |
| Net assets, beginning of year | <u>3,438,736</u> | <u>152,113</u> | <u>3,590,849</u> | <u>3,832,077</u> |
| Net assets, end of year | <u>\$ 2,912,668</u> | <u>\$ 160,238</u> | <u>\$ 3,072,906</u> | <u>\$ 3,590,849</u> |

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

NATIONAL POLICE ACCOUNTABILITY PROJECT, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31,

| | 2024 | | | | 2023 | | | |
|----------------------------|---------------------|-----------------------------|-------------------|---------------------|---------------------|-----------------------------|-------------------|-------------------|
| | Program Services | General & Administrative | Fundraising | Total | Program Services | General & Administrative | Fundraising | Total |
| Salaries and wages | \$ 531,214 | \$ 72,464 | \$ 120,958 | \$ 724,636 | \$ 393,809 | \$ 54,928 | \$ 100,547 | \$ 549,284 |
| Payroll taxes and benefits | 131,900 | 17,815 | 28,434 | 178,149 | 72,412 | 10,202 | 19,398 | 102,012 |
| Occupancy | 6,479 | 720 | | 7,199 | 23,194 | 2,577 | | 25,771 |
| Conventions and education | 132,331 | | | 132,331 | 59,048 | | | 59,048 |
| Advertising and marketing | | | | - | 7,800 | | | 7,800 |
| Bank and filing fees | 338 | | | 338 | 976 | | | 976 |
| Commissions | 1,300 | | | 1,300 | 4,725 | | | 4,725 |
| Dues and subscriptions | 2,189 | | | 2,189 | 2,321 | | | 2,321 |
| Insurance | 7,418 | 824 | | 8,242 | 7,742 | 860 | | 8,602 |
| Litigation expenses | 251,064 | | | 251,064 | 81,959 | | | 81,959 |
| Office expenses | 12,264 | 1,363 | 7,737 | 21,364 | 6,113 | 679 | 8,647 | 15,439 |
| Payment processing fees | 6,970 | | 774 | 7,744 | 4,051 | | | 4,051 |
| Professional fees | 43,493 | 20,689 | 705 | 64,887 | 26,221 | 19,674 | | 45,895 |
| Royalties | 2,150 | | | 2,150 | 2,318 | | | 2,318 |
| Supplies | | | | - | 2,831 | 315 | | 3,146 |
| Taxes | 741 | | | 741 | 1,038 | | | 1,038 |
| Telephone & internet | 12,381 | 1,376 | | 13,757 | 10,607 | 1,179 | | 11,786 |
| Travel | 16,441 | | | 16,441 | 3,396 | | | 3,396 |
| Depreciation | | 2,335 | | 2,335 | | 2,152 | | 2,152 |
| Total expense | \$ 1,158,673 | \$ 117,586 | \$ 158,608 | \$ 1,434,867 | \$ 710,561 | \$ 92,566 | \$ 128,592 | \$ 931,719 |

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

NATIONAL POLICE ACCOUNTABILITY PROJECT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31,

| | 2024 | 2023 |
|--|--------------|--------------|
| Cash flows form operating activities: | | |
| Change in net assets | \$ (517,943) | \$ (241,228) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 2,335 | 2,152 |
| Change in assets and liabilities: | | |
| Pledges receivable | (96,500) | 40,000 |
| Other receivable | 44 | 221 |
| Prepaid expenses | (2,063) | (641) |
| Security deposits | | 1,799 |
| Accounts payable and accrued expenses | 718 | (2,883) |
| Accrued vacation payable | 9,039 | 15,007 |
| Taxes payable | | 275 |
| Other current liabilities | 4,187 | (13,410) |
| Deferred revenue | 7,281 | 3,350 |
| Net cash used in operating activities | (592,902) | (195,358) |
| Cash flows from investing activities: | | |
| Proceeds from sales of investments, net of purchases | 239,999 | 185,222 |
| Purchases of office equipment | (7,090) | (1,685) |
| Net cash provided by investing activities | 232,909 | 183,537 |
| Cash flows from financing activities: | | |
| Increase in unrealized gain on available for sale securities | 214,180 | 267,002 |
| Net cash provided by financing activities | 214,180 | 267,002 |
| Net increase in cash and cash equivalent | (145,813) | 255,181 |
| Cash and cash equivalent - beginning of year | 590,408 | 335,227 |
| Cash and cash equivalent - end of year | \$ 444,595 | \$ 590,408 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid during the year for: | | |
| Interest | \$ - | \$ 85 |
| Income Taxes | \$ 250 | \$ 250 |

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

**NATIONAL POLICE ACCOUNTABILITY PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

1. ORGANIZATION

National Police Accountability Project, Inc. (the "Organization") is a not-for-profit organization organized on February 10, 1999 under the laws of the State of New York. Since January 2024, the Organization has been headquartered in Kansas City, Kansas.

The Organization is a membership organization of plaintiff's lawyers, law students and legal workers dedicated to ending police abuse of authority through coordinated legal action, public education, and support for grassroots and victims' organizations combating police misconduct.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions.

The net assets of the Organization are reported as follows:

Without Donor Restrictions: Net assets without donor restrictions are net assets that are not restricted by donor-imposed stipulations and are available for the general operations of the Organization.

With Donor Restrictions: Net assets with donor restrictions include gifts of cash and other assets received with donor stipulations that limit the use of the donated assets or that cannot be satisfied by either the actions of the Organization or through the passage of time.

Revenue and Support Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged and recorded as without donor restrictions according to donor stipulations that limit the use of these assets due to time or purpose restrictions. Support that is with donor restrictions 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. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Advance payments for membership dues, referral list fees and Section 1983 subscriptions are recorded as deferred revenue.

Cash and Cash Equivalents

The Organization considers cash and highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of demand deposits with financial institutions.

**NATIONAL POLICE ACCOUNTABILITY PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Investments

Investments consists of various certificates of deposit held for investment that are not debt securities. The certificates of deposit, with maturity dates in 2025, have various annual fixed interest rates and are recorded at cost which approximates fair market value.

Available-for-sale securities with available fair market values are stated at fair market values. Unrealized gains and losses are included in the statement of activities.

Use of Accounting Estimates

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

Income Taxes

The Organization is exempt from federal income taxes pursuant to the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, contributions to the Organization entitle donors to the maximum charitable contribution deduction allowed under the Code. Currently, the Organization pays unrelated business income tax on its net referral list fees revenue. It is the Organization's accounting policy to evaluate uncertain tax positions in accordance with the accounting pronouncement on uncertainty in income taxes. Management has determined that there are no uncertain tax positions at the Organization. The Organization did not record any income tax related penalties or interest for the period presented.

Fair Value of Financial Instruments

The carrying amounts of financial instruments including cash, contributions receivable, other receivable, accounts payable and short-term debt approximate their fair values because of the relatively short maturity of these instruments.

Property and Equipment

Property and equipment are stated at cost and are being depreciated on the straight-line method over the estimated useful lives of the assets.

Functional Allocation of Expenses

Expenses that can be directly identified with the program or supporting service to which they relate are charged accordingly. Other expenses by function have been allocated among program and supporting service classifications based upon benefits received.

Prior Year Amounts

Certain prior year amounts were reclassified for consistency with the current year presentation. These reclassifications have no effect on the reported results of operations.

**NATIONAL POLICE ACCOUNTABILITY PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

2. FAIR VALUE MEASUREMENTS

Fair value is a market-based measurement that is determined based on one or more inputs using assumptions that market participants would use in pricing the asset or liability. In determining fair value, the Organization utilizes a valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs, to the extent possible in its assessment of fair value. These inputs also form the basis of the fair value hierarchy which is used to categorize a fair value measurement into one of three levels as follows:

Level 1 – Quoted prices for identical assets or liabilities in active markets.

Level 2 – Quoted prices for similar assets or liabilities in active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs.

Level 3 – Unobservable inputs that are supported by little or no market and that are significant in the fair value of the assets or liabilities.

Financial assets carried at fair value as of December 31, 2024 are classified as follows:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|----------------------------|---------------------|----------------|----------------|---------------------|
| Fixed Income | \$ 726,178 | \$ - | \$ - | \$ 726,178 |
| Equities | <u>2,142,844</u> | <u>-</u> | <u>-</u> | <u>2,142,844</u> |
| Total assets at fair value | <u>\$ 2,869,022</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,869,022</u> |
| | ===== | ===== | ===== | ===== |

3. EQUIPMENT

As of December 31, 2024, office equipment consists of the following:

| | <u>2024</u> | <u>2023</u> |
|--------------------------------|------------------|-----------------|
| Office equipment | \$ 26,321 | \$ 19,232 |
| Less: accumulated depreciation | <u>(15,224)</u> | <u>(12,890)</u> |
| | <u>\$ 11,097</u> | <u>\$ 6,342</u> |
| | ===== | ===== |

4. ACCRUED VACATION PAYABLE

Accrued vacation payable represent vacation time outstanding and paid subsequent to the year end. Accrued vacation payable were \$27,390 and \$18,351 as of December 31, 2024 and December 31, 2023, respectively.

**NATIONAL POLICE ACCOUNTABILITY PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

5. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The Organization strives to maintain liquid financial assets sufficient to cover 180 days of general expenditures. Financial assets in excess of cash requirements are invested in certificate of deposits and other short-term investments.

| | <u>2024</u> | <u>2023</u> |
|--|---------------------|---------------------|
| Financial assets: | | |
| Cash and cash equivalents | \$ 444,595 | \$ 590,408 |
| Investments | 2,869,022 | 3,109,021 |
| Other receivable | <u>3,168</u> | <u>3,212</u> |
| Total financial assets | 3,316,785 | 3,702,641 |
| Less: Net assets with donor restrictions | <u>(160,238)</u> | <u>(152,113)</u> |
| Total financial assets and liquidity resources | <u>\$ 3,156,547</u> | <u>\$ 3,550,528</u> |
| | ===== | ===== |

6. EMPLOYEE BENEFIT PLAN

As of May 1, 2022, the Organization adopted an Internal Revenue Code section 401(K) plan for all eligible employees. Both employee elective deferrals and employer non-elective contributions are allowed. Employees may begin contributing one month after the date of hire. The Organization is obligated to making matching contributions equal to 100% of the employee's elective deferral contributions, not to exceed 2%. The Organization also makes an additional discretionary contribution of 3% to all employees. Full vesting of the Organization's contributions is 2 years. The Organization contributed \$26,677 and \$8,105 in the years ended December 31, 2024 and 2023, respectively.

7. NET ASSETS

Net assets with donor restrictions at December 31st are restricted for the following purpose:

| | <u>2024</u> | <u>2023</u> |
|--|-------------------|-------------------|
| Legal fellowship | \$ 132,471 | \$ 150,000 |
| Heartland Polic Accountability Academy | - | 2,113 |
| Avery Award | <u>27,767</u> | <u>-</u> |
| | <u>\$ 160,238</u> | <u>\$ 152,113</u> |
| | ===== | ===== |

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors:

| | <u>2024</u> | <u>2023</u> |
|---|------------------|------------------|
| Legal fellowship | \$ 52,529 | \$ 6,826 |
| Litigation | 6,000 | - |
| Heartland Police Accountability Academy | <u>2,113</u> | <u>32,887</u> |
| | <u>\$ 60,642</u> | <u>\$ 39,713</u> |
| | ===== | ===== |

**NATIONAL POLICE ACCOUNTABILITY PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

8. LEASE COMMITMENT

The Organization leases office space in New Orleans, LA under a noncancelable operating lease. The Organization exercised its fifth extension of the lease agreement, effective June 1, 2023 to May 31, 2025. The lease was terminated by the Organization on December 31, 2023.

The Organization leases office space in Kansas City, KS under a noncancelable operating lease. The current lease expires on February 28, 2026 and is renewable annually.

Future commitment under the Kansas City, KS lease is:

| | |
|-------------------|------------|
| <u>Year Ended</u> | |
| 12/31/25 | \$ 4,200 |
| To 02/28/26 | <u>700</u> |
| | \$ 4,900 |
| | ===== |

The Organization began to lease coworking office space in Berkeley, CA in February 2023. Rent is on a month-to-month basis at a current cost of \$200 per month.

The Organization also rents temporary office space for remote employees when necessary.

Rent expense was \$7,199 and \$25,771 for the year ended December 31, 2024 and 2023, respectively.

9. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist cash and cash equivalents at various quality financial institutions. During the year ended December 31, 2024, the Organization did not have interest bearing or noninterest-bearing cash and cash equivalents in excess of the Federal Deposit Insurance Corporation insurance limits. The Organization has not experienced any losses in such accounts and believes such balances are not exposed to any significant risk.

10. DONATED SERVICES

From time to time, volunteers have donated services to the Organization's programs. Such services are only recorded as in-kind contributions, at their fair value, provided it meets the criteria for recognition. Such criteria include contributions of services that (i) create or enhance non-financial assets or those that require specialized skills, (ii) are provided by individuals possessing those skills, and (iii) would typically need to be purchased if not provided by donation, and are recorded at their fair value in the period received. For the year ended December 31, 2024 the fair value of the in-kind services was not reflected in the accompanying statement of activities as they do not meet the criteria for recognition as donated services.

11. CONTRIBUTIONS OF DONATED GOODS

The Organization received contributions of donated goods (gifts-in-kind) which are recognized as revenue and expenses in the Statement of Activities at their fair value at the date(s) of the donations. The Organization received 9 units of a textbook providing guidance on litigation of police misconduct cases. The textbooks will be used by the Organization's professional staff, members and volunteers for guidance and tools to litigate civil rights cases involving alleged police misconduct.

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 31, 2025, which is the date the financial statements were available to be issued.