

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Former Agents of the F.B.I. Foundation

We have audited the accompanying financial statements of Former Agents of the F.B.I. Foundation (“the Foundation”), which comprise the statements of financial position as of December 31, 2020 and 2019; the related 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 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 controls relevant to the preparation and fair presentation of 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 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 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.

Auditor's 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 Foundation as of December 31, 2020 and 2019, 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.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
March 30, 2021

Former Agents of the F.B.I. Foundation

Statements of Financial Position December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash	\$ 262,124	\$ 148,285
Investments	11,699,944	10,985,653
Contributions receivable	-	1,500
Prepaid expenses and other assets	29,479	23,016
Property and equipment, net	<u>198,361</u>	<u>190,907</u>
Total assets	<u><u>\$ 12,189,908</u></u>	<u><u>\$ 11,349,361</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 19,960	\$ 15,191
Scholarships payable	4,000	-
Due to related party	58,678	48,232
Loan payable – Paycheck Protection Program	<u>32,797</u>	<u>-</u>
Total liabilities	<u>115,435</u>	<u>63,423</u>
Net Assets		
Without donor restrictions	9,856,557	9,220,636
With donor restrictions	<u>2,217,916</u>	<u>2,065,302</u>
Total net assets	<u>12,074,473</u>	<u>11,285,938</u>
Total liabilities and net assets	<u><u>\$ 12,189,908</u></u>	<u><u>\$ 11,349,361</u></u>

Former Agents of the F.B.I. Foundation

Statement of Activities
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Contributions	\$ 434,471	\$ 76,207	\$ 510,678
Program services	2,190	-	2,190
Other income	3,952	-	3,952
Released from restrictions	38,315	(38,315)	-
	<u>478,928</u>	<u>37,892</u>	<u>516,820</u>
Total operating revenue and support			
Expenses			
Program services	459,703	-	459,703
Supporting services:			
Management and general	81,632	-	81,632
Fundraising	81,349	-	81,349
	<u>162,981</u>	<u>-</u>	<u>162,981</u>
Total supporting services			
Total expenses	<u>622,684</u>	<u>-</u>	<u>622,684</u>
Change in Net Assets from Operations	(143,756)	37,892	(105,864)
Non-Operating Activity			
Investment return, net	<u>779,677</u>	<u>114,722</u>	<u>894,399</u>
Total non-operating activity	<u>779,677</u>	<u>114,722</u>	<u>894,399</u>
Change in Net Assets	635,921	152,614	788,535
Net Assets, beginning of year	<u>9,220,636</u>	<u>2,065,302</u>	<u>11,285,938</u>
Net Assets, end of year	<u>\$ 9,856,557</u>	<u>\$ 2,217,916</u>	<u>\$ 12,074,473</u>

See accompanying notes.

Former Agents of the F.B.I. Foundation

Statement of Activities
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Contributions	\$ 663,088	\$ 914,699	\$ 1,577,787
Program services	1,549	-	1,549
Other income	1,097	-	1,097
Released from restrictions	48,333	(48,333)	-
	<u>714,067</u>	<u>866,366</u>	<u>1,580,433</u>
Total operating revenue and support			
Expenses			
Program services	500,224	-	500,224
Supporting services:			
Management and general	94,443	-	94,443
Fundraising	87,486	-	87,486
	<u>181,929</u>	<u>-</u>	<u>181,929</u>
Total supporting services			
Total expenses	<u>682,153</u>	<u>-</u>	<u>682,153</u>
Change in Net Assets from Operations	31,914	866,366	898,280
Non-Operating Activity			
Investment return, net	<u>1,172,295</u>	<u>184,666</u>	<u>1,356,961</u>
Total non-operating activity	<u>1,172,295</u>	<u>184,666</u>	<u>1,356,961</u>
Change in Net Assets	1,204,209	1,051,032	2,255,241
Net Assets, beginning of year	<u>8,016,427</u>	<u>1,014,270</u>	<u>9,030,697</u>
Net Assets, end of year	<u><u>\$ 9,220,636</u></u>	<u><u>\$ 2,065,302</u></u>	<u><u>\$ 11,285,938</u></u>

See accompanying notes.

Former Agents of the F.B.I. Foundation

Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services	Supporting Services		Total Supporting Services	Total Expenses
		Management and General	Fundraising		
Personnel costs	\$ 131,989	\$ 40,438	\$ 58,850	\$ 99,288	\$ 231,277
Assistance	22,327	-	-	-	22,327
Awards	7,000	-	-	-	7,000
History and remembrance	27,241	-	1,763	1,763	29,004
Partnerships and contributions	49,032	-	-	-	49,032
Scholarships	213,000	-	-	-	213,000
Professional fees	-	10,000	225	10,225	10,225
General office expenses	249	4,822	5,006	9,828	10,077
Fundraising	-	-	12,066	12,066	12,066
Administrative expenses and other	5,375	16,336	1,783	18,119	23,494
Travel, meetings, and committee	134	8,885	-	8,885	9,019
Depreciation and amortization	3,356	1,151	1,656	2,807	6,163
Total Expenses	\$ 459,703	\$ 81,632	\$ 81,349	\$ 162,981	\$ 622,684

See accompanying notes.

Former Agents of the F.B.I. Foundation

Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services	Supporting Services		Total Supporting Services	Total Expenses
		Management and General	Fundraising		
Personnel costs	\$ 132,313	\$ 47,084	\$ 56,135	\$ 103,219	\$ 235,532
Assistance	19,919	-	-	-	19,919
Awards	25,696	-	-	-	25,696
History and remembrance	25,263	-	1,698	1,698	26,961
Partnerships and contributions	61,623	-	-	-	61,623
Scholarships	200,000	-	-	-	200,000
Professional fees	150	10,226	2,100	12,326	12,476
General office expenses	1,697	6,138	5,989	12,127	13,824
Fundraising	-	-	11,199	11,199	11,199
Administrative expenses and other	3,425	16,996	1,889	18,885	22,310
Travel, meetings, and committee	27,474	12,043	7,144	19,187	46,661
Miscellaneous	-	1,008	202	1,210	1,210
Depreciation and amortization	2,664	948	1,130	2,078	4,742
Total Expenses	\$ 500,224	\$ 94,443	\$ 87,486	\$ 181,929	\$ 682,153

See accompanying notes.

Former Agents of the F.B.I. Foundation

Statements of Cash Flows For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 788,535	\$ 2,255,241
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gain on investments	(703,495)	(914,173)
Realized loss (gain) on investments	103,912	(85,903)
Donated stock	(16,862)	(972,138)
Depreciation and amortization	6,163	4,742
Change in operating assets and liabilities:		
Decrease (increase) in:		
Contributions receivable	1,500	23,550
Prepaid expenses and other assets	(6,463)	(4,785)
Increase (decrease) in:		
Accounts payable and accrued expenses	4,769	14,694
Scholarships payable	4,000	(4,000)
Due to related party	10,446	(40,481)
	192,505	276,747
Cash Flows from Investing Activities		
Purchases of property and equipment	(13,617)	-
Purchases of investments	(1,295,998)	(1,820,130)
Proceeds from sales of investments	1,198,152	1,229,851
	(111,463)	(590,279)
Cash Flows from Financing Activity		
Principal proceeds on loan payable – Paycheck Protection Program	32,797	-
	32,797	-
Net Increase (Decrease) in Cash	113,839	(313,532)
Cash, beginning of year	148,285	461,817
Cash, end of year	\$ 262,124	\$ 148,285
Noncash Investing and Financing Transactions		
Donated stock	\$ 16,862	\$ 972,138

See accompanying notes.

Former Agents of the F.B.I. Foundation

Notes to Financial Statements
December 31, 2020 and 2019

1. Nature of Operations

Former Agents of the F.B.I. Foundation (“the Foundation”) provides charitable support to members of the Society of Former Special Agents of the Federal Bureau of Investigation, Inc. (“the Society”) and their families. The Foundation distributes various awards and scholarships to members and their families, as well as gives assistance to other needy and deserving individuals and groups involved in the field of law enforcement.

The Foundation’s primary sources of support and revenue are donations from members of the Society. The Foundation is a Virginia non-stock corporation, and its affairs are managed by a Board of Trustees, which is comprised of members of the Society, appointed by the Society’s Board of Directors. There is not a majority of Board overlap and, accordingly, the Foundation’s financial statements are not consolidated with the Society’s. The Foundation shares office space and administrative staff with the Society.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The Foundation’s financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions in the following classes:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Investments

Investments are recorded at fair value based on quoted market prices. Realized and unrealized gains and losses are reported in the accompanying statements of activities. The Foundation considers cash equivalents that are part of the portfolio to be classified as investments.

Former Agents of the F.B.I. Foundation

Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Contributions Receivable

Contributions receivable represent unconditional promises to give. All contributions receivable are due within one year and are recorded at net realizable value. Management determines the allowance for doubtful accounts based upon review of outstanding receivables, historical collection information, and existing economic conditions. No allowance for doubtful accounts is recorded as management believes that all receivables are fully collectible. The Foundation did not have any contributions receivable at December 31, 2020.

Property and Equipment

Property and equipment purchased at a cost of \$1,000 or more are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from seven to forty years. Expenditures for maintenance and repairs are expensed as incurred.

Scholarships Payable

Scholarships payable consist of amounts awarded to students for undergraduate tuition, fees, and course-required incidentals and supplies, and are determined by a majority vote of the Board of Trustees. Certain eligibility requirements must be met for students who apply for scholarships.

Revenue Recognition

Contributions are recognized when cash, securities, an unconditional promise to give, or other assets are received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Foundation reports contributions as restricted support 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Former Agents of the F.B.I. Foundation

Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Contributed Services

The Foundation receives a substantial amount of services donated by volunteers in carrying out its program services. These donated services are not reflected in the accompanying financial statements since they do not meet the criteria for recognition under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605-25-16, *Contributed Services*.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Costs

The Foundation expenses advertising costs as incurred. There were no advertising costs for the years ended December 31, 2020 and 2019.

Measure of Operations

The Foundation includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities, and excludes net investment return.

Use of 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Former Agents of the F.B.I. Foundation

Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through March 30, 2021, the date the financial statements were available to be issued.

3. Liquidity and Availability

The Foundation strives to maintain liquid financial assets on hand to meet 90 days of general expenditures. As part of its liquidity plan, management periodically reviews the Foundation's liquid asset needs and adjusts the cash balances as necessary. Amounts in excess of operating liquidity needs are invested in short-term and highly liquid securities.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at December 31:

	<u>2020</u>	<u>2019</u>
Cash	\$ 262,124	\$ 148,285
Investments	11,699,944	10,985,653
Contributions receivable	-	1,500
Less: net assets with donor restrictions	<u>(2,217,916)</u>	<u>(2,065,302)</u>
Total available for general expenditures	<u>\$ 9,744,152</u>	<u>\$ 9,070,136</u>

4. Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to significant concentrations of credit risk consist of cash and investments. The Foundation maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Foundation has not experienced any credit losses on its cash and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

Former Agents of the F.B.I. Foundation

Notes to Financial Statements
December 31, 2020 and 2019

5. Investments and Fair Value Measurements

The Foundation follows FASB ASC 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. The Foundation recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

In general, and where applicable, the Foundation uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

The following table presents the Foundation's fair value hierarchy for those investments measured on a recurring basis at December 31:

	Level 1	Level 2	Level 3	Total
<u>2020:</u>				
Money market funds	\$ 190,311	\$ -	\$ -	\$ 190,311
Mutual funds – bonds	4,558,411	-	-	4,558,411
Mutual funds – equities	6,951,222	-	-	6,951,222
Total investments	\$ 11,699,944	\$ -	\$ -	\$ 11,699,944
<u>2019:</u>				
Money market funds	\$ 432,910	\$ -	\$ -	\$ 432,910
Mutual funds – bonds	4,564,149	-	-	4,564,149
Mutual funds – equities	5,988,594	-	-	5,988,594
Total investments	\$ 10,985,653	\$ -	\$ -	\$ 10,985,653

Former Agents of the F.B.I. Foundation

Notes to Financial Statements
December 31, 2020 and 2019

5. Investments and Fair Value Measurements (continued)

Net investment return consists of the following for the years ended December 31:

	2020	2019
Interest and dividends	\$ 344,334	\$ 402,600
Unrealized gain	703,495	914,173
Realized (loss) gain	(103,912)	85,903
Investment management fees	(49,518)	(45,715)
Total investment return, net	<u>\$ 894,399</u>	<u>\$ 1,356,961</u>

6. Property and Equipment

Property and equipment consists of the following at December 31:

	2020	2019
Land	\$ 70,437	\$ 70,437
Building	151,063	151,063
Building improvements	12,935	9,381
Computer equipment	10,062	-
Furniture and fixtures	4,294	4,294
Total property and equipment	248,791	235,175
Less: accumulated depreciation	<u>(50,430)</u>	<u>(44,268)</u>
Property and equipment, net	<u>\$ 198,361</u>	<u>\$ 190,907</u>

7. Loan Payable – Paycheck Protection Program

The Foundation applied for a loan under the Paycheck Protection Program (“the PPP loan”) pursuant to Division A, Title 1 of the CARES Act, which was enacted on March 27, 2020. The PPP loan is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll through the COVID-19 coronavirus, for which the Foundation qualified. The PPP loan is subject to full forgiveness upon use of the funds for payroll and other eligible costs, and compliance with certain limitations on payroll and staffing reductions over a 24-week period.

Former Agents of the F.B.I. Foundation

Notes to Financial Statements
December 31, 2020 and 2019

7. Loan Payable – Paycheck Protection Program (continued)

The PPP loan was granted to the Foundation on June 5, 2020 in the amount of \$32,797, which is recorded as loan payable in the accompanying statements of financial position. During the covered period, the Foundation had incurred qualifying expenditures and had submitted a PPP loan forgiveness application on December 7, 2020. Subsequent to year end, on January 11, 2021, the PPP loan forgiveness was approved for the full amount of the loan.

8. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted as follows at December 31:

	2020	2019
Purpose restricted:		
Peter O'Neil Fund	\$ 879,741	\$ 833,954
Disaster Relief Fund	680,967	608,382
J. Edgar Hoover Fund	183,762	162,973
Lawler Fund	104,616	109,526
Grove Foundation Fund	119,980	113,735
Zeiss Fund	69,597	71,154
Fran Keogh Memorial Fund	35,286	32,315
Hashman Fund	11,104	21,096
LA Chapter Retired Agents Fund	19,876	24,636
Martyrs/Remembrance Fund	106,038	78,730
Skilled Trades Fund	6,949	8,801
Total purpose restricted	<u>2,217,916</u>	<u>2,065,302</u>
Net assets with donor restrictions	<u>\$ 2,217,916</u>	<u>\$ 2,065,302</u>

Former Agents of the F.B.I. Foundation

Notes to Financial Statements
December 31, 2020 and 2019

9. Related Party Transactions

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

All functions necessary to perform the Foundation's mission are performed by the Society's employees. The Foundation reimburses the Society for these personnel costs, as well as other costs incurred by the Society in performing the Foundation's functions, such as depreciation of property. Also, during the year, in conjunction with membership billing, the Society collects contributions on behalf of the Foundation. The amounts reimbursed to the Society were \$313,492 and \$363,053 for the years ended December 31, 2020 and 2019, respectively. The Foundation had a payable of \$58,678 and \$48,232 to the Society at December 31, 2020 and 2019, respectively.

Board Member Contributions

The Foundation receives support from members of the Board of Trustees. During the years ended December 31, 2020 and 2019, the Foundation received contributions from Board members in the amount of \$4,100 and \$12,563, respectively.

Fettler Park, LLC

In 2009, the Foundation and the Society entered into an agreement to form Fettler Park, LLC ("the LLC"), of which the Foundation owns 25% and the Society owns 75%. The purpose of the entity is to purchase and hold office space that the Foundation and Society utilize for their day-to-day operations. The Foundation and Society share operating costs of this property based on the aforementioned ownership percentages. Per the terms of the operating agreement of the LLC, the members intend for the company to be treated as an unincorporated association excluded from Subchapter K of the Internal Revenue Code (IRC) pursuant to Section 761. Accordingly, they do not treat the company as a partnership for income tax purposes and each member agrees to separately report its proportionate share of all income, gains, deductions, and losses from the joint venture. The statements of financial position and activities reflect only the Foundation's share of the land and building, as well as income and expenses related to this investment.

10. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include professional fees, general office expenses, and travel and meetings expenses, which are allocated based on a weighted average of employees' time spent on these activities. Additionally, personnel costs are allocated on the basis of estimates of time and effort.

Former Agents of the F.B.I. Foundation

Notes to Financial Statements
December 31, 2020 and 2019

11. Income Taxes

The Foundation is recognized as a tax-exempt organization under IRC Section 501(c)(3) and is exempt from income taxes except for taxes on unrelated business activities. No tax expense was recorded in the accompanying financial statements for the years ended December 31, 2020 and 2019, as the Foundation engaged in no unrelated business activities. Contributions to the Foundation are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management has evaluated the Foundation's tax positions and concluded that the financial statements do not include any uncertain tax positions.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

We have audited the accompanying financial statements of Society of Former Special Agents of the Federal Bureau of Investigation, Inc. ("the Society"), which comprise the statements of financial position as of December 31, 2020 and 2019; the related 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 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 controls relevant to the preparation and fair presentation of 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 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 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.

Auditor's 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 Society as of December 31, 2020 and 2019, 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.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
March 30, 2021

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Cash	\$ 513,420	\$ 480,145
Investments	810,865	752,931
Accounts receivable	1,963	1,402
Due from related party	58,678	48,232
Prepaid expenses	15,692	10,846
Inventory	19,131	25,647
Property and equipment, net	581,378	577,762
Total assets	<u>\$ 2,001,127</u>	<u>\$ 1,896,965</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 66,907	\$ 66,405
Deferred revenue	433,352	501,482
Total liabilities	<u>500,259</u>	<u>567,887</u>
Net Assets		
Without donor restrictions	<u>1,500,868</u>	<u>1,329,078</u>
Total net assets	<u>1,500,868</u>	<u>1,329,078</u>
Total liabilities and net assets	<u>\$ 2,001,127</u>	<u>\$ 1,896,965</u>

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Statements of Activities
For the Years Ended December 31, 2020 and 2019

	2020	2019
Operating Revenue and Support		
Membership dues	\$ 787,458	\$ 744,267
Dues reimbursements and Widows Program – Foundation	56,300	54,620
Convention revenue	-	220,561
Program service revenue	41,038	14,928
Contributions	7,610	2,191
Memorabilia sales – net of costs	4,755	8,350
Other income	13,542	5,289
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Total operating revenue and support	910,703	1,050,206
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Expenses		
Program services	309,607	605,719
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Supporting services:		
Management and general	483,723	428,443
	<hr/>	<hr/>
Total supporting services	483,723	428,443
	<hr/>	<hr/>
Total expenses	793,330	1,034,162
	<hr/>	<hr/>
Change in Net Assets from Operations	117,373	16,044
	<hr/>	<hr/>
Non-Operating Activity		
Investment return, net	54,417	108,423
	<hr/>	<hr/>
Total non-operating activity	54,417	108,423
	<hr/>	<hr/>
Change in Net Assets	171,790	124,467
	<hr/>	<hr/>
Net Assets, beginning of year	1,329,078	1,204,611
	<hr/>	<hr/>
Net Assets, end of year	\$ 1,500,868	\$ 1,329,078
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes.

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services	Management and General	Total Expenses
Salaries	\$ 69,975	\$ 257,200	\$ 327,175
Payroll taxes	5,249	19,293	24,542
Employee benefits	7,056	25,934	32,990
Personnel administrative fees	1,205	4,429	5,634
<i>Grapevine</i> Magazine	149,570	-	149,570
Member directory	60,222	-	60,222
Trapline	8,701	-	8,701
Other program expenses	4,827	-	4,827
Professional fees	-	23,140	23,140
General office expenses	-	63,581	63,581
Occupancy	-	28,468	28,468
IT services	-	23,751	23,751
Convention expenses	2,802	-	2,802
Travel, meetings, and events	-	10,242	10,242
Miscellaneous	-	3,879	3,879
Depreciation and amortization, netted with allocation	-	23,806	23,806
Total Expenses	\$ 309,607	\$ 483,723	\$ 793,330

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Statement of Functional Expenses
For the Year Ended December 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries	\$ 158,543	\$ 150,694	\$ 309,237
Payroll taxes	11,669	11,091	22,760
Employee benefits	15,271	14,515	29,786
Personnel administrative fees	3,249	3,088	6,337
<i>Grapevine</i> Magazine	163,377	-	163,377
Member directory	4,015	-	4,015
Other program expenses	14,502	-	14,502
Professional fees	-	22,140	22,140
General office expenses	-	59,889	59,889
Occupancy	-	27,389	27,389
IT services	-	17,043	17,043
Convention expenses	235,093	-	235,093
Travel, meetings, and events	-	77,855	77,855
Miscellaneous	-	24,239	24,239
Depreciation and amortization, netted with allocation	-	20,500	20,500
Total Expenses	<u><u>\$ 605,719</u></u>	<u><u>\$ 428,443</u></u>	<u><u>\$ 1,034,162</u></u>

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
	<u> </u>	<u> </u>
Cash Flows from Operating Activities		
Change in net assets	\$ 171,790	\$ 124,467
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Investment gain, net	(35,757)	(83,487)
Depreciation and amortization	28,154	24,580
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(561)	6
Due from related party	(10,446)	40,481
Prepaid expenses	(4,846)	18,723
Inventory	6,516	615
Increase (decrease) in:		
Accounts payable and accrued expenses	502	18,010
Deferred revenue	(68,130)	(65,028)
	<u> </u>	<u> </u>
Net cash provided by operating activities	87,222	78,367
	<u> </u>	<u> </u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(31,770)	-
Purchases of investments	(22,177)	(28,501)
Proceeds from sales of investments	-	18,560
	<u> </u>	<u> </u>
Net cash used in investing activities	(53,947)	(9,941)
	<u> </u>	<u> </u>
Net Increase in Cash	33,275	68,426
Cash, beginning of year	480,145	411,719
	<u> </u>	<u> </u>
Cash, end of year	\$ 513,420	\$ 480,145
	<u> </u>	<u> </u>
Supplementary Disclosure of Cash Flow Information		
Cash paid during the year for income taxes	\$ 1,567	\$ 20,842
	<u> </u>	<u> </u>

See accompanying notes.

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Notes to Financial Statements
December 31, 2020 and 2019

1. Nature of Operations

The Society of Former Special Agents of the Federal Bureau of Investigation, Inc. (“the Society”), established in 1937, is a fraternal educational and community-minded organization composed of former Federal Bureau of Investigation (F.B.I.) Special Agents who served with Fidelity, Bravery, and Integrity in defense of America. The Society’s mission is to preserve F.B.I. values; to support the welfare of the members through services, benefits, and career networking; to offer programs of fellowship, education, service, and history; and to promote the F.B.I. and law enforcement/national security communities. The Society’s primary sources of support and revenue are membership dues and new membership application fees. Its affairs are managed by a Board of Directors who are elected by a vote by the Society’s members.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The Society’s financial statements are prepared on the accrual basis of accounting. Accordingly, net assets without donor restrictions represent funds that are not subject to donor-imposed stipulations and are available for support of the Society’s operations. All net assets were without donor restrictions at December 31, 2020 and 2019.

Investments

Investments are recorded at fair value based on quoted market prices. Realized and unrealized gains and losses are reported in the accompanying statements of activities. The Society considers cash equivalents that are part of the portfolio to be classified as investments.

Accounts Receivable

Accounts receivable are recorded at net realizable value and are deemed fully collectible within one year. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts receivable. There is no provision for doubtful accounts, based on management’s evaluation of the collection of receivables at December 31, 2020 and 2019.

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Inventory

Inventory consists of various memorabilia items that are carried at the lower of cost or net realizable value, with cost determined on a weighted average. Management determines the allowance for obsolete inventory by identifying nonmarketable items and by using historical experience applied to recent sales. Items are written-off when deemed unmarketable. There was no provision for obsolete inventory at December 31, 2020 and 2019.

Property and Equipment

Property and equipment purchased at a cost of \$1,000 or more are capitalized and recorded at cost. Depreciation and amortization expenses are computed using the straight-line method over the estimated useful lives of the related assets, which range from five to forty years. Expenditures for maintenance and repairs are expensed as incurred.

Revenue Recognition

Revenue Accounted for as Contracts with Customers

Revenue is recognized when the Society satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Society expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Society combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Specifically, for the various types of contracts, the Society recognizes revenue as follows:

Membership dues are classified as an exchange transaction based on the structure and the type of benefits provided to the members. The Society's membership dues include quarterly journal and other membership benefits, such as access to the members-only section of the website, meetings, and discounts on certain services and events.

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for as Contracts with Customers (continued)

The portion of membership dues that includes a bundle of membership benefits performance obligation is recognized ratably over the membership term. The portion of membership dues that includes a quarterly journal is satisfied at a point in time, and revenue is recognized when control of the journal has been transferred to the customer upon shipment or online publication. Membership dues received that are applicable to the following year are included in deferred revenue in the accompanying financial statements.

Convention revenue is classified as an exchange transaction and recognized as revenue at a point in time once the event takes place. Conference registrations received that are applicable to the following year are included in deferred revenue in the accompanying financial statements.

Program service revenue is recognized as revenue when control of the journal has been transferred to the customer upon shipment or online publication. Payments received that are applicable to the following year are included in deferred revenue in the accompanying financial statements.

Revenue Accounted for in Accordance with Contribution Accounting

Contributions are recognized when cash, securities, an unconditional promise to give, or other assets are received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Society reports contributions as restricted support 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Contributed Services

The Society receives a substantial amount of services donated by volunteers in carrying out its program services. These donated services are not reflected in the accompanying financial statements since they do not meet the criteria for recognition under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605-25-16, *Contributed Services*.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Costs

The Society expenses advertising costs as incurred. There were no advertising costs for the years ended December 31, 2020 and 2019.

Measure of Operations

The Society includes in its measure of operations all revenues and expenses that are an integral part of its programs and supporting activities, and excludes net investment return.

Use of 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2022.

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Subsequent Events

In preparing these financial statements, the Society has evaluated events and transactions for potential recognition or disclosure through March 30, 2021, the date the financial statements were available to be issued.

3. Liquidity and Availability

The Society strives to maintain liquid financial assets on hand to meet 90 days of general expenditures. As part of its liquidity plan, management periodically reviews the Society's liquid asset needs and adjusts the cash balances as necessary. Amounts in excess of operating liquidity needs are invested in short-term and highly liquid securities.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at December 31:

	2020	2019
Cash	\$ 513,420	\$ 480,145
Investments	810,865	752,931
Accounts receivable	1,963	1,402
Due from related party	58,678	48,232
Total available for general expenditures	<u>\$ 1,384,926</u>	<u>\$ 1,282,710</u>

4. Concentration of Credit Risk

Financial instruments that potentially subject the Society to significant concentrations of credit risk consist of cash and investments. The Society maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Society has not experienced any credit losses on its cash and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Notes to Financial Statements
December 31, 2020 and 2019

5. Investments and Fair Value Measurements

Net investment return consists of the following for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 22,176	\$ 28,503
Unrealized gain	35,757	83,406
Realized gain	-	81
Investment management fees	<u>(3,516)</u>	<u>(3,567)</u>
Total investment return, net	<u>\$ 54,417</u>	<u>\$ 108,423</u>

The Society follows FASB ASC 820, *Fair Value Measurements and Disclosures*, for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. The Society recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

In general, and where applicable, the Society uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Notes to Financial Statements
December 31, 2020 and 2019

5. Investments and Fair Value Measurements (continued)

The following table presents the Society's fair value hierarchy for those investments measured on a recurring basis at December 31:

	Level 1	Level 2	Level 3	Total
<u>2020:</u>				
Money market funds	\$ 7	\$ -	\$ -	\$ 7
Mutual funds – bonds	346,384	-	-	346,384
Mutual funds – equities	464,474	-	-	464,474
Total investments	<u>\$ 810,865</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 810,865</u>
<u>2019:</u>				
Money market funds	\$ 7	\$ -	\$ -	\$ 7
Mutual funds – bonds	321,348	-	-	321,348
Mutual funds – equities	431,576	-	-	431,576
Total investments	<u>\$ 752,931</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 752,931</u>

6. Property and Equipment

Property and equipment consists of the following at December 31:

	2020	2019
Land	\$ 209,611	\$ 209,611
Building	449,542	449,542
Building improvements	45,062	36,770
Computers, software, and equipment	75,969	61,224
Furniture and fixtures	23,810	23,810
Total property and equipment	803,994	780,957
Less: accumulated depreciation and amortization	(222,616)	(203,195)
Property and equipment, net	<u>\$ 581,378</u>	<u>\$ 577,762</u>

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Notes to Financial Statements
December 31, 2020 and 2019

7. Revenue from Contracts with Customers

Deferred revenue consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Deferred membership dues:		
Magazine	\$ 141,079	\$ 154,101
Membership benefits bundle	278,898	304,431
Deferred conference revenue	1,000	42,850
Other deferred revenue	<u>12,375</u>	<u>100</u>
Total deferred revenue	<u>\$ 433,352</u>	<u>\$ 501,482</u>

8. Economic Injury Disaster Loan Advance

The Society applied for a loan advance under the Economic Injury Disaster Loan Assistance program (EIDL) pursuant to Division A, Title 1 of the CARES Act, which was enacted on March 27, 2020. The EIDL program is designed to provide economic relief to small businesses that are currently experiencing a temporary loss of revenue due to COVID-19. The loan advance was granted to the Society on July 7, 2020 in the amount of \$8,000. Management decided not to apply for a loan. The loan advance is included in other income in the accompanying statements of activities.

9. Related Party Transactions

Former Agents of the F.B.I. Foundation

All functions necessary to perform the Former Agents of the F.B.I. Foundation's ("the Foundation") mission are performed by the Society's employees. The Foundation reimburses the Society for these personnel costs, as well as other costs incurred by the Society in performing the Foundation's functions, such as depreciation of property. Also, during the year, in conjunction with membership billing, the Society collects contributions on behalf of the Foundation. There is not a majority of Board overlap and, accordingly, the Foundation's financial statements are not consolidated with the Society's. The amounts reimbursed to the Society were \$313,492 and \$363,053 for the years ended December 31, 2020 and 2019, respectively. The Society had a receivable of \$58,678 and \$48,232 from the Foundation at December 31, 2020 and 2019, respectively.

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Notes to Financial Statements
December 31, 2020 and 2019

9. Related Party Transactions (continued)

Fettler Park, LLC

In 2009, the Society and the Foundation entered into an agreement to form Fettler Park, LLC (“the LLC”), of which the Society owns 75% and the Foundation owns 25%. The purpose of the entity is to purchase and hold office space that the Society and the Foundation utilize for their day-to-day operations. The Society and the Foundation share operating costs of this property based on the aforementioned ownership percentages. Per the terms of the operating agreement of the LLC, the members intend for the company to be treated as an unincorporated association excluded from Subchapter K of the Internal Revenue Code (IRC) pursuant to Section 761. Accordingly, they do not treat the company as a partnership for income tax purposes and both members agree to separately report their proportionate share of all income, gains, deductions, and losses from the venture. The statements of financial position reflect only the Society’s share of the land and building related to this investment.

10. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes, and employee benefits, which are allocated on the basis of estimates of time and effort.

11. Retirement Plan

The Society sponsors a 401(k) profit sharing plan. The plan is available to all eligible employees and permits employee elective deferral contributions of pre- or after-tax compensation for all eligible employees, up to limits established by law. The plan also permits employer contributions up to a specified dollar amount or percentage of all eligible employees’ compensation, as determined by the Society each year. Plan contributions for the years ended December 31, 2020 and 2019 were \$14,989 and \$15,131, respectively.

Society of Former Special Agents of the Federal Bureau of Investigation, Inc.

Notes to Financial Statements
December 31, 2020 and 2019

12. Operating Lease

The Society leases certain office equipment under a non-cancelable operating lease agreement. Future minimum lease payments under this office equipment lease are as follows for the years ending December 31:

2021	\$	2,340
2022		<u>975</u>
Future minimum lease payments	\$	<u><u>3,315</u></u>

13. Income Taxes

The Society is recognized as exempt from federal income tax on member transactions and other activities directly related to its exempt purpose under IRC Section 501(c)(7). The Society is liable for federal and state income taxes on its unrelated business income, which includes investment return, advertising income, royalty income, and certain other non-member receipts. Management has evaluated the Society's tax positions and concluded that the financial statements do not include any uncertain tax positions.