

Robert G. Gillette, CPA

Nonprofit Clients Only

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
National Homeland Security Association, Inc.:

I have audited the accompanying financial statements of National Homeland Security Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility


My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Homeland Security Association, Inc. as of December 31, 2013, and the changes in its net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.


Robert G. Gillette, CPA
March 6, 2014
Columbus, Ohio

National Homeland Security Association, Inc.
Statement of Financial Condition
December 31, 2013

ASSETS	
Current assets	
Cash	\$316,465
Accounts receivable	29,435
Total current assets	<u>345,900</u>
TOTAL ASSETS	<u><u>\$345,900</u></u>
LIABILITIES AND NET ASSETS	
Accounts payable	\$4,447
Deferred revenue	46,500
TOTAL LIABILITIES	<u>50,947</u>
NET ASSETS	
Unrestricted	294,953
TOTAL NET ASSETS	<u>294,953</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$345,900</u></u>

See auditor's report and accompanying notes to financial statements

National Homeland Security Association, Inc.
Statement of Activities and Change in Net Assets
Year Ended December 31, 2013

REVENUE AND SUPPORT	
Annual conference registration fees	\$462,035
Vendor fees	248,665
Sponsorship fees	305,000
TOTAL SUPPORT AND REVENUE	<u>1,015,700</u>
EXPENSES	
Program service	922,232
Administrative	14,742
TOTAL EXPENSES	<u>936,974</u>
INCREASE IN NET ASSETS	<u>78,726</u>
NET ASSETS AT THE BEGINNING OF THE YEAR	216,227
NET ASSETS AT THE END OF THE YEAR	<u><u>\$294,953</u></u>

See auditor's report and accompanying notes to financial statements

National Homeland Security Association, Inc.
Statement of Functional Expenses
Year Ended December 31, 2013

	<u>Program Service</u>	<u>Administrative</u>	<u>Total</u>
Annual conference expense	\$817,859		\$817,859
Professional fees	65,557	9,093	74,650
Office expense		5,649	5,649
Bank charges	33,816		33,816
Charitable contributions	5,000		5,000
TOTALS	<u><u>\$922,232</u></u>	<u><u>\$14,742</u></u>	<u><u>\$936,974</u></u>

See auditor's report and accompanying notes to financial statements

National Homeland Security Association, Inc.
Statement of Cash Flows
Year Ended December 31, 2013

Cash Flows from Operating Activities	
Increase in net assets:	\$78,726
Changes in current assets and liabilities:	
Accounts receivable	(29,435)
Accounts payable	4,447
Deferred liabilities	46,500
Net cash provided by operating activities	<u>100,238</u>
Net Change in Cash and Cash Equivalents	<u>100,238</u>
Cash and Cash Equivalents - Beginning of year	<u>216,227</u>
Cash and Cash Equivalents - End of year	<u><u>\$316,465</u></u>

See auditor's report and accompanying notes to financial statements

National Homeland Security Association, Inc.
Notes to Financial Statements
December 31, 2013

NOTE A - ORGANIZATION AND PURPOSE

The National Homeland Security Association, Inc. (Association) is a Maryland not-for-profit corporation, organized in 2010 as National Urban Area Security Initiative Association, Inc. by a group of administrative professionals who recognized the need for greater metropolitan security information sharing. In 2012 the name was changed to the National Homeland Security Association, Inc. The association sponsors the National Homeland Security Conference. This Conference is the annual meeting of local homeland security and emergency management professionals from the nation's largest metropolitan areas.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

BASIS OF REPORTING AND PRESENTATION

The financial statements of the Association have been prepared on the accrual basis. The preparation of the 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. The significant accounting policies followed are described below to enhance the usefulness of the statements to the reader.

USE OF ESTIMATES

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

CASH AND CASH EQUIVALENTS AND CREDIT RISKS

Cash and cash equivalents represents a bank checking account. While the Association's cash and cash equivalents, at times, may exceed federally insured limits, the Association has not experienced any losses in such accounts. The Association believes it is not exposed to any significant credit risk on these accounts.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued

NET ASSETS

Financial statements report amounts separately by class of net assets:

- *Unrestricted net assets* represent resources over which the Board of Directors has discretionary control and are used to carry out the Association's operations in accordance with its bylaws and exempt purposes.
- *Temporarily restricted net assets* would represent funds stipulated for specific operating purposes and those not currently available for use until commitments regarding their use have been fulfilled.
- *Permanently restricted net assets* would be those contributed with donor restrictions requiring they be held in perpetuity.

PROGRAM SERVICE REVENUE

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Association. The Association would report funds as restricted if they are received with stipulations that limit the use of the funds. When a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as satisfaction of purpose restrictions.

EXPENSES

Expenses are reported when costs are incurred. The cost of providing the various program services and supporting activities has been presented on a functional basis. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Expenses are generally charged to functional departments as incurred for the various activities.

The Association follows the provisions of the *Income Tax* topic of the FASB ASC. These provisions clarify the accounting for uncertainty in income tax positions and prescribe guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the statement of financial position if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties, if any, are included in expenses in the statements of activities. As of December 31, 2013, the Association had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued

UNCERTAIN TAX POSITIONS - Continued

The Association has evaluated its tax position for all open tax years. Currently the tax years open and subject to examination by the Internal Revenue Service are the 2010, 2011 and 2012 tax years. However the Association is not currently under audit nor has the Association been contacted by any jurisdiction. Based on the evaluation of the Association's tax positions, management believes all tax positions taken would be upheld under an examination. Therefore no provision for the effects of uncertain tax positions have been recorded for the fiscal year ended December 31, 2013.

The Association is a tax-exempt organization under Section 501 (c) (6) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the financial statements.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 6, 2014 which is the date the financial statements were available for issue.

NOTE C – CONCENTRATION OF CREDIT RISK

The Association places some of its temporary cash with a creditworthy, high-quality financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

NOTE D – CONCENTRATION OF REVENUE SOURCES

The Association receives 100% of its revenue from registration, vendor fees and sponsorship fees for its annual conference.

NOTE E – DONATED SERVICES

The Association receives volunteer services that are not recordable under generally accepted accounting principles. A substantial number of volunteers have donated a significant amount of time in the Association's program services. The value of volunteer services is not disclosed, as no objective basis is available to measure the value of such services.