APCO INTERNATIONAL, INC.

DAYTONA BEACH, FLORIDA

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

WESTON & GREGORY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

APCO INTERNATIONAL, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Officers and Directors
APCO International, Inc.
Daytona Beach, Florida

We have audited the accompanying consolidated financial statements of the Association of Public-Safety Communications Officials International, Inc. and Affiliate (APCO International, Inc.) (non-profit organizations), which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities 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 consolidated 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 consolidated 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 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of APCO International, Inc. as of June 30, 2013, and the consolidated changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The consolidated financial statements of APCO International, Inc. as of June 30, 2012, were audited by other auditors whose report dated October 25, 2012, expressed an unmodified opinion on those statements.

Weston & Gregory, P.A.

Daytona Beach, Florida
October 24, 2013

CONSOLIDATED FINANCIAL STATEMENTS

APCO INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 8,161,613	$ 6,478,507
Accounts receivable	768,113	1,037,039
Prepaid expenses	538,580	532,089
Total Current Assets	$ 9,468,306	$ 8,047,635
Property and Equipment, Net	$ 2,806,467	$ 2,917,069
Other Assets:		
Restricted cash funds – John D. Lane Scholarship Fund	$ 269,905	$ 269,905
Other assets	7,996	7,996
Total Other Assets	$ 277,901	$ 277,901
TOTAL ASSETS	$ 12,552,674	$ 11,242,605
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts and grants payable	$ 337,180	$ 338,755
Accrued liabilities	312,656	286,748
Current portion of capital lease obligation	7,193	6,596
Deferred revenue	3,344,177	3,194,764
Total Current Liabilities	$ 4,001,206	$ 3,826,863
Long-term portion of capital lease obligation	$ 11,311	$ 18,504
Net Assets:		
Unrestricted	$ 7,939,952	$ 6,753,936
Temporarily restricted	330,300	373,397
Permanently restricted	269,905	269,905
Total Net Assets	$ 8,540,157	$ 7,397,238
TOTAL LIABILITIES AND NET ASSETS	$ 12,552,674	$ 11,242,605

APCO INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CHANGES IN UNRESTRICTED NET ASSETS:		
Unrestricted Revenue and Support:		
Frequency coordination fees and services	$ 2,410,627	$ 2,666,902
Annual conference/symposiums	3,207,500	3,186,438
Educational training and publication sales	3,392,841	2,959,912
Membership dues	956,222	930,868
Projects	65,105	94,115
Communication	163,608	280,013
Bulletin and advertising	24,552	22,210
Interest income	2,400	1,622
Miscellaneous	11,486	31,389
Net assets released from restrictions	54,931	52,925
Total Unrestricted Revenue and Support	$ 10,289,272	$ 10,226,394
Unrestricted Expenses:		
Frequency coordination	$ 1,141,610	$ 1,351,305
Annual conference/symposiums	1,986,559	2,355,582
Education and publications	1,575,748	1,413,198
Membership services	202,745	202,910
Information systems	610,263	599,411
Foundation	84,864	145,180
Projects, committees, legal and advisory	612,305	612,230
Communication	523,047	797,797
Virginia office	557,283	605,594
Knowledge Management	380,429	265,247
General and administrative	1,428,403	1,354,147
Total Unrestricted Expenses	$ 9,103,256	$ 9,702,601
Increase in unrestricted net assets	$ 1,186,016	$ 523,793
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Grants, other contributions and interest	$ 11,834	$ 66,118
Net assets released from restrictions	(54,931)	(52,925)
Increase (Decrease) in temporarily restricted net assets	$ (43,097)	$ 13,193
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:		
Grants and other contributions – John D. Lane Scholarship	$ 0	$ 0
INCREASE IN NET ASSETS	$ 1,142,919	$ 536,986
NET ASSETS – BEGINNING OF YEAR	7,397,238	6,860,252
NET ASSETS – END OF YEAR	$ 8,540,157	$ 7,397,238

APCO INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	$ 1,142,919	$ 536,986
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	143,350	142,874
Gain on disposal of property and equipment	(33)	(393)
(Increase) Decrease in:		
Accounts receivable	268,926	225,383
Grants receivable	0	5,000
Prepaid expenses	(6,491)	(17,190)
Increase (Decrease) in:		
Accounts and grants payable	(1,575)	118,967
Accrued liabilities	25,908	(38,339)
Deferred revenue	149,413	(7,654)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,722,417	$ 965,634
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from sale	662	0
Acquisition of property and equipment	$ (33,377)	$ (71,508)
NET CASH USED IN INVESTING ACTIVITIES	$ (32,715)	$ (71,508)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligation	$ (6,596)	$ (6,051)
NET CASH USED IN FINANCING ACTIVITIES	$ (6,596)	$ (6,051)
NET INCREASE IN CASH AND CASH EQUIVALENTS	$ 1,683,106	$ 888,075
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	6,478,507	5,590,432
CASH AND CASH EQUIVALENTS – END OF YEAR	$ 8,161,613	$ 6,478,507
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the years for:		
Interest	$ 1,917	$ 2,524
Taxes	$ 1,156	$ 925

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies and practices of APCO International, Inc. and Affiliate, which affect significant elements of the accompanying consolidated financial statements.

A. Organization

The Association of Public-Safety Communications Officials-International, Inc., ("Association"), is a tax-exempt, non-profit entity organized under the laws of the state of Indiana and operating its national headquarters in Daytona Beach, Florida, under the laws of the state of Florida. The Association is a worldwide association of chapters with members in 39 countries, including the United States and its territories. The Association was organized to (1) foster the development and progress of public safety communications by means of research, planning, coordination, training and education; (2) promote the rapid and accurate collection, exchange and dissemination of information relating to emergencies and other vital public safety communications among and between all levels of local, state and federal governments and those who work with them; (3) represent its members' and public safety communications' interest in general regulatory and policy-making bodies as may be appropriate; and (4) strive to protect the citizens and their property and provide for their welfare by these and other appropriate means. Its membership consists mainly of individuals.

The Public Safety Foundation of America, Inc. ("Foundation"), is a Florida tax-exempt, non-profit corporation organized and operating under the laws of the State of Florida also headquartered in Daytona Beach, Florida. The Foundation's objective is to provide critical funding and technical support to public safety answering points (PSAPs) and local emergency response officials. Funding is provided by donations from corporations, Association members and staff, and the Wireless E-911: PSAP Readiness Fund, a non-profit organization established by Nextel Communications and dedicated to supporting the timely implementation of wireless E-911. An advisory committee comprised of a cross section of public safety organizations, ensures broad-based input on the solicitation and use of grant funds.

These organizations (referred to in aggregate as "APCO International, Inc.") are financially interrelated organizations and are included in the accompanying consolidated financial statements. The chapters are not considered financially interrelated organizations and, accordingly, are not included in the consolidated financial statements. Material inter-organization transactions and balances have been eliminated in the combination.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958 *Not-for-Profit Entities*. Under FASB ASC 958, APCO International, Inc. is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of APCO International, Inc. and/or passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations or by matter of law that they be maintained permanently by APCO International, Inc.. Generally, the donors of these assets permit APCO International, Inc. to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

C. Method of Accounting

Basis of accounting refers to the point at which revenues and expenses are recognized in the accounts and reported in the consolidated financial statements. APCO International, Inc. utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when incurred. Revenues are recognized when the earnings process is substantially complete and goods have been delivered or services performed. Revenues from membership dues are recognized in the period to which they relate and are recorded net of discounts, returns and chapter rebates. Conference registrations and other related revenues are deferred and certain related expenses are recorded as prepaid expenses until the conference is held after year-end in August each year. Frequency coordination fees are recorded net of discounts and returns.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Contributions, Contributed Services and Promises to Give

In accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958 *Not-for-Profit Entities,* contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions.

Many individuals volunteer their time and perform a variety of tasks that assist the Association's ongoing activities. However, during the years ended June 30, 2013 and 2012, the value of contributed services meeting the requirements for recognition in the consolidated financial statements was not material and has not been recorded.

Contributions are recognized when a donor makes a promise to give to APCO International, Inc. that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

E. Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits, savings accounts, and money-market funds. For purposes of the consolidated statements of cash flows, APCO International, Inc. considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

F. Accounts Receivable

The Association routinely grants credit to members and customers who use the services of the Association. These and all other accounts receivable are stated at net realizable value. Management believes that all accounts receivable as of June 30, 2013 and 2012 were fully collectible.

The Association uses the direct write off method to determine the carrying value of accounts receivable and the resulting bad debt expense. The effect of this method on the consolidated financial statements is not materially different from the allowance method. Bad debt expense and recovery was $7,135 and ($608) for the years ended June 30, 2013 and 2012, respectively.

G. Grants Receivable

Grants receivable consist of amounts due the Association from agencies under the terms of various grant contracts. Due to the nature of these agencies, no allowance for uncollectible amounts is usually established. The results of this method do not differ materially from the allowance method. For 2013 and 2012, there was zero grants receivable.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

H. Deferred Revenue

Deferred revenue consists of deferred conference revenue, education revenue, software revenue and frequency coordination revenue. These revenue sources are paid in advance and are recorded as deferred revenue in the accompanying consolidated statements of financial position.

I. Property, Equipment and Depreciation

Property and equipment are stated at historical cost, net of accumulated depreciation. Assets are depreciated over their estimated useful lives ranging from three to forty years using the straight-line method. Retirements and other disposals of property and equipment are removed from the accounts at their carrying values. The Association capitalizes property and equipment that have a cost greater than $1,000. Maintenance and repairs are charged to expenses as incurred.

J. Compensated Absences

Employees of the Association earn paid annual leave depending on length of service. Outstanding annual leave is payable up to a limit of 280 hours, is payable upon termination and is recorded in the period earned.

K. Advertising

The Association expenses non-direct response advertising as incurred. Total advertising expenses were $102,864 and $275,004 during the years ended June 30, 2013 and 2012, respectively.

L. Income Taxes

Effective July 1, 2009, the Association became a 501(c)(3) entity. As a result, the Association is generally exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except for certain unrelated trade or business income arising from membership bulletin advertising and a proxy tax related to lobbying activities. The Foundation continues to be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Information returns (Forms 990) have been filed with the Internal Revenue Service for each entity through the years ended June 30, 2013 and 2012, respectively. The Association incurred income taxes of $0 for the years ended June 30, 2013 and 2012, respectively.

Form’s 990, *Return of Organization Exempt from Income Tax*, for the years ended June 30, 2013, 2012 and 2011 are subject to examination by the IRS, generally for three years after the date they were filed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

M. Concentration of Credit Risk

The Association's main source of revenue is derived from the services that it provides to its members. The Association grants credit to its members and customers through the services that it provides to them. The members and customers reside around the world.

Financial instruments, which potentially subject APCO International, Inc. to concentrations of credit risk, consist of cash deposits with a commercial bank and a brokerage firm. The accounts at the commercial bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to a maximum of $250,000. At June 30, 2013 and 2012, the amounts in excess of FDIC limits approximate $5,716,000 and $0 respectively. The deposits at the brokerage firm are insured by the Securities Investor Protection Corporation (SIPC) up to $500,000, including a limit of $250,000 for claims of un-invested cash balances. At June 30, 2013 and 2012, the amounts in excess of SIPC limits approximate $1,394,000 and $1,392,000, respectively. The risk is managed by maintaining all deposits in high quality financial institutions. APCO International, Inc. has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

N. Estimates

The preparation of consolidated 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, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

O. Fair Value of Financial Instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities which represent financial instruments (none of which are held for trading purposes) approximate the carrying value of such amounts.

P. Subsequent Events

Management has evaluated subsequent events through October 24, 2013, the date the financial statements were available to be issued.

2. CASH AND CASH EQUIVALENTS

APCO International, Inc.'s cash and cash equivalents are composed of the following:

	2013	2012
Petty cash funds	$ 500	$ 664
Operating cash	5,993,909	4,312,976
Money-market funds	2,167,204	2,164,867
TOTAL CASH AND CASH EQUIVALENTS	$ 8,161,613	$ 6,478,507

3. PROPERTY AND EQUIPMENT

The major components of APCO International, Inc.'s property and equipment are comprised of the following at June 30, 2013 and 2012:

	2013	2012
Land	$ 818,034	$ 818,034
Building and building improvements	2,564,907	2,561,633
Furniture and fixtures	393,208	391,886
Office machinery and equipment	266,408	264,651
Computer hardware, software and patents	797,910	772,477
	$ 4,840,467	$ 4,808,681
Less: Accumulated depreciation	(2,034,000)	(1,891,612)
NET PROPERTY AND EQUIPMENT	$ 2,806,467	$ 2,917,069

Depreciation expense was $143,350 and $142,874 for the years ended June 30, 2013 and 2012, respectively.

4. CAPITAL LEASE OBLIGATION

The Association is the lessee of office equipment under a capital lease expiring during the year ending June 30, 2016. The assets and liabilities under capital lease are recorded at the lower of present value of minimum lease payments or the fair value of the asset. The asset is depreciated over the lower of the related lease terms or the estimated productive life. Depreciation of assets under capital lease is included in depreciation expense, and was $6,889 and $6,889 for the year ended June 30, 2013 and 2012, respectively.

The following is a summary of equipment held under capital lease:

	2013	2012
Telephone equipment	$ 34,447	$ 34,447
Less: Accumulated depreciation	(18,372)	(11,483)
NET BOOK VALUE	$ 16,075	$ 22,964

4. CAPITAL LEASE OBLIGATION (Cont'd)

The future minimum lease payments required under the capital lease are as follows for the years ending June 30:

2014	$ 8,514
2015	8,514
2016	3,546
Total	$ 20,574
Less: Amount representing interest	(2,070)
TOTAL	$ 18,504
Less: Current portion	(7,193)
LONG-TERM PORTION OF CAPITAL LEASE OBLIGATION	$ 11,311

The interest rate on the capital lease is 8.67% and is imputed based on the lower of the Association's incremental borrowing rate at the inception of the lease or the lessor's implicit rate of return.

5. LEASE AND OTHER COMMITMENTS

The Association is obligated under certain non-cancellable operating leases for various office machinery and equipment with terms ranging from one to five years. The future minimum rental payments required under operating leases are as follows for the years ending June 30:

2014	$ 180,512
2015	88,964
2016	88,964
2017	75,938
2018	3,416
TOTAL FUTURE MINIMUM LEASE PAYMENTS	$ 437,794

The Association has entered into agreements for consulting and other services with one to three year terms. The future minimum payments required are as follows for the years ending June 30:

2014	$ 408,269
TOTAL FUTURE MINIMUM PAYMENTS	$ 408,269

Lease and other commitment expenses incurred were $563,023 and $526,618 for the years ended June 30, 2013 and 2012, respectively.

6. RETIREMENT PLAN

Effective January 1, 1998, the Association adopted a 401(k) retirement plan. The plan covers all employees with twelve months of continuous service or more. The Association's contributions under the plan are discretionary (currently 8% of employee's salary) and are determined annually by the Association's Board of Officers. Contributions for the years ended June 30, 2013 and 2012 were $154,483 and $155,434, respectively.

7. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30, 2013 and 2012:

	2013	2012
Scholarships	$ 113,815	$ 142,972
Wireless E-911 Grants	169,223	177,610
Other program assistance	47,262	52,815
TOTAL TEMPORARILY RESTRICTED NET ASSETS	$ 330,300	$ 373,397

At June 30, 2013 and 2012, the Association had $269,905 in permanently restricted net assets, of which the earnings will be used for scholarships.

8. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

	2013	2012
Purpose Restrictions Satisfied:		
Scholarships	$ 35,444	$ 38,053
Wireless E-911 Grants	8,387	14,622
Other program assistance	11,100	250
NET ASSETS RELEASED FROM RESTRICTIONS	$ 54,931	$ 52,925