

Law Enforcement Legal Defense Fund

Financial Statements
and Independent Auditors' Report

December 31, 2020 and 2019

Law Enforcement Legal Defense Fund

Financial Statements
December 31, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Law Enforcement Legal Defense Fund

We have audited the accompanying financial statements of Law Enforcement Legal Defense Fund (LELDF), 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

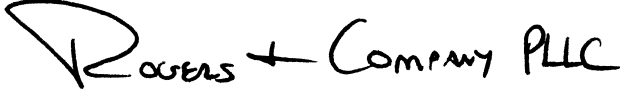
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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.

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 LELDF 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.

Handwritten signature in black ink that reads "Rogers + Company PLLC". The "R" is large and stylized, and the rest of the text is in a cursive, handwritten style.

Vienna, Virginia
May 11, 2021

Law Enforcement Legal Defense Fund

Statements of Financial Position December 31, 2020 and 2019

	2020	2019
Assets		
Cash	\$ 346,685	\$ 111,498
Investments	4,778,392	4,379,849
Contributions receivable	66,039	-
Property and equipment, net	24,831	25,713
Deposits	3,043	3,043
	<hr/>	<hr/>
Total assets	\$ 5,218,990	\$ 4,520,103
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Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 305,592	\$ 148,063
Accrued retirement contributions	55,638	2,401
Deferred rent	1,218	907
	<hr/>	<hr/>
Total liabilities	362,448	151,371
	<hr/>	<hr/>
Net Assets		
Without donor restrictions	4,856,542	4,368,732
	<hr/>	<hr/>
Total net assets	4,856,542	4,368,732
	<hr/>	<hr/>
Total liabilities and net assets	\$ 5,218,990	\$ 4,520,103
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Law Enforcement Legal Defense Fund

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

	<u>2020</u>	<u>2019</u>
Revenue and Support		
Contributions	\$ 2,659,357	\$ 1,060,729
List rental income	15,256	16,481
Investment return, net	<u>513,542</u>	<u>822,043</u>
Total revenue and support	<u>3,188,155</u>	<u>1,899,253</u>
Expenses		
Program services:		
Public education and media relations	1,657,513	788,418
Case defense	510,710	319,654
Association collaboration	<u>16,944</u>	<u>35,690</u>
Total program services	<u>2,185,167</u>	<u>1,143,762</u>
Supporting services:		
General and administrative	187,865	177,796
Fundraising	<u>327,313</u>	<u>124,204</u>
Total supporting services	<u>515,178</u>	<u>302,000</u>
Total expenses	<u>2,700,345</u>	<u>1,445,762</u>
Change in Net Assets	487,810	453,491
Net Assets, beginning of year	<u>4,368,732</u>	<u>3,915,241</u>
Net Assets, end of year	<u><u>\$ 4,856,542</u></u>	<u><u>\$ 4,368,732</u></u>

See accompanying notes.

Law Enforcement Legal Defense Fund

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

	Program Services				Supporting Services			Total Expenses
	Public Education and Media Relations	Case Defense	Association Collaboration	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Personnel costs	\$ 128,207	\$ 71,194	\$ 14,327	\$ 213,728	\$ 131,893	\$ -	\$ 131,893	\$ 345,621
Bank and credit card fees	10,249	-	-	10,249	239	1,481	1,720	11,969
Caging and escrow	32,536	-	-	32,536	-	4,700	4,700	37,236
Contributions	-	397,596	-	397,596	-	-	-	397,596
Depreciation	3,086	1,713	345	5,144	3,174	-	3,174	8,318
<i>De minimis</i> assets	8	-	-	8	-	-	-	8
Information technology	13,242	-	-	13,242	1,849	-	1,849	15,091
Insurance	1,171	651	131	1,953	1,205	-	1,205	3,158
License and registrations	-	-	265	265	-	-	-	265
List rental expense	214,911	-	-	214,911	-	77,345	77,345	292,256
Mail shop	146,028	-	-	146,028	-	21,095	21,095	167,123
Office expense	1,115	98	10	1,223	950	3	953	2,176
Occupancy	15,005	8,332	1,677	25,014	15,437	-	15,437	40,451
Printing, postage, and other	856,460	30,189	-	886,649	23	112,796	112,819	999,468
Professional fees:								
Accounting fees	-	-	-	-	24,635	-	24,635	24,635
Legal fees	-	-	-	-	2,709	-	2,709	2,709
Professional fundraising fees	187,383	-	-	187,383	-	96,663	96,663	284,046
Other professional fees	29,550	-	-	29,550	4,016	10,802	14,818	44,368
Statistical modeling	16,807	-	-	16,807	-	2,428	2,428	19,235
Telephone	1,738	937	189	2,864	1,735	-	1,735	4,599
Travel and meetings	17	-	-	17	-	-	-	17
Total Expenses	\$ 1,657,513	\$ 510,710	\$ 16,944	\$ 2,185,167	\$ 187,865	\$ 327,313	\$ 515,178	\$ 2,700,345

See accompanying notes.

Law Enforcement Legal Defense Fund

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

	Program Services				Supporting Services			Total Expenses
	Public Education and Media Relations	Case Defense	Association Collaboration	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Personnel costs	\$ 120,599	\$ 48,182	\$ 26,326	\$ 195,107	\$ 115,507	\$ 9,182	\$ 124,689	\$ 319,796
Bank and credit card fees	6,648	-	-	6,648	225	1,372	1,597	8,245
Caging and escrow	20,092	-	-	20,092	-	4,133	4,133	24,225
Contributions	-	256,221	2,700	258,921	-	-	-	258,921
Depreciation	3,311	1,323	722	5,356	3,172	252	3,424	8,780
<i>De minimis</i> assets	91	-	-	91	28	-	28	119
Information technology	619	-	-	619	1,702	-	1,702	2,321
Insurance	1,340	544	295	2,179	1,152	103	1,255	3,434
License and registrations	235	-	325	560	-	-	-	560
List rental expense	49,949	-	-	49,949	-	10,314	10,314	60,263
Mail shop	58,280	-	-	58,280	-	11,975	11,975	70,255
Office expense	1,696	501	210	2,407	822	78	900	3,307
Occupancy	16,188	6,573	3,567	26,328	13,928	1,240	15,168	41,496
Printing, postage, and other	399,232	83	-	399,315	-	62,722	62,722	462,037
Professional fees:								
Accounting fees	-	-	-	-	35,375	-	35,375	35,375
Legal fees	-	-	-	-	1,140	-	1,140	1,140
Professional fundraising fees	84,041	-	-	84,041	-	11,805	11,805	95,846
Other professional fees	19,525	5,740	-	25,265	3,517	10,587	14,104	39,369
Statistical modeling	1,693	-	-	1,693	-	349	349	2,042
Telephone	1,199	487	264	1,950	1,030	92	1,122	3,072
Travel and meetings	3,680	-	1,281	4,961	-	-	-	4,961
Other	-	-	-	-	198	-	198	198
Total Expenses	\$ 788,418	\$ 319,654	\$ 35,690	\$ 1,143,762	\$ 177,796	\$ 124,204	\$ 302,000	\$ 1,445,762

See accompanying notes.

Law Enforcement Legal Defense Fund

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

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 487,810	\$ 453,491
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	8,318	8,780
Realized gain on investments	(46,559)	(107,548)
Unrealized gain on investments	(453,921)	(665,748)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	(66,039)	19,099
Increase (decrease) in:		
Accounts payable and accrued expenses	157,529	103,399
Accrued retirement contributions	53,237	(33,303)
Deferred rent	311	628
Net cash provided by (used in) operating activities	<u>140,686</u>	<u>(221,202)</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(7,436)	(1,416)
Purchases of investments	(909,932)	(507,312)
Proceeds from sales of investments	<u>1,011,869</u>	<u>708,565</u>
Net cash provided by investing activities	<u>94,501</u>	<u>199,837</u>
Net Increase (Decrease) in Cash	235,187	(21,365)
Cash, beginning of year	<u>111,498</u>	<u>132,863</u>
Cash, end of year	<u><u>\$ 346,685</u></u>	<u><u>\$ 111,498</u></u>

See accompanying notes.

Law Enforcement Legal Defense Fund

Notes to Financial Statements
December 31, 2020 and 2019

1. Nature of Operations

The Law Enforcement Legal Defense Fund (LELDF) was incorporated on August 18, 1994 in the District of Columbia to provide financial assistance to law enforcement officers who are unfairly charged either civilly or criminally for actions taken in the line of duty. LELDF also supports officers in administrative proceedings when legal and financial assistance is not available from local sources. LELDF is a national organization that has provided financial assistance to officers throughout the country. Almost all of LELDF's income comes from individuals and corporations in response to direct mail. Other sources of revenue include list rental income, investment income, and other general contributions from individuals and corporations.

In 2012, the Law Enforcement Action Network (LEAN) was launched to demand action on the issues that are keeping men and women in uniform from doing their job of protecting American citizens. LEAN ceased operations in December 2018 and filed articles of dissolution on October 8, 2019. During 2019, LELDF forgave an amount due from LEAN totaling \$388,067, which represented the balance of cumulative expenses paid by LELDF on LEAN's behalf.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

LELDF'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 as follows:

- *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. LELDF reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

Law Enforcement Legal Defense Fund

Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Investments

Investments are recorded at fair value based on quoted market prices. All realized and unrealized gains and losses, net of investment management fees, are reported in net investment return in the accompanying statements of activities.

Contributions Receivable

Contributions receivable are reflected at net realizable value, as all amounts are expected to be collected within one year. Management determines the allowance for doubtful accounts based on review of outstanding receivables, historical collection, and existing economic conditions. No allowance for doubtful accounts is recorded, as management believes that all amounts are fully collectible.

Property and Equipment

Property and equipment purchased at a cost of \$500 or more and with a projected useful life exceeding one year 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 three to ten years. Repair and maintenance costs are expensed as incurred.

Revenue Recognition

LELDF recognizes contributions when cash, securities, other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional contributions, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met.

Revenue from all other sources is recognized when earned.

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.

Law Enforcement Legal Defense Fund

Notes to Financial Statements
December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

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.

Advertising Costs

Advertising costs are expensed as incurred. LELDF did not have any advertising costs during the years ended December 31, 2020 and 2019.

Recently Issued Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (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. Management continues to evaluate the potential impact of this update on LELDF's financial statements.

Subsequent Events

In preparing these financial statements, LELDF has evaluated events and transactions for potential recognition or disclosure through May 11, 2021, the date the financial statements were available to be issued.

3. Liquidity and Availability

LELDF strives to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management periodically reviews LELDF's liquid asset needs and adjusts the cash balance as necessary. Amounts in excess of operating liquidity needs are invested in various investments.

Law Enforcement Legal Defense Fund

Notes to Financial Statements
December 31, 2020 and 2019

3. Liquidity and Availability (continued)

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	\$ 346,685	\$ 111,498
Investments	4,778,392	4,379,849
Contributions receivable	66,039	-
Total available for general expenditures	<u>\$ 5,191,116</u>	<u>\$ 4,491,347</u>

4. Concentration of Credit Risk

Financial instruments that potentially subject LELDF to significant concentrations of credit risk consist of cash and investments. LELDF 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). LELDF has not experienced any credit loss 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.

5. Investments and Fair Value Measurements

LELDF follows FASB Accounting Standards Codification 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.

Law Enforcement Legal Defense Fund

Notes to Financial Statements
December 31, 2020 and 2019

5. Investments and Fair Value Measurements (continued)

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.

LELDF recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. In general, and where applicable, LELDF 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 LELDF's fair value hierarchy for those investments measured on a recurring basis as of December 31, 2020:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 73,843	\$ -	\$ -	\$ 73,843
Equity mutual funds:				
Infrastructure	92,881	-	-	92,881
Multi-strategy hedge	193,984	-	-	193,984
Non-U.S. equities	1,252,422	-	-	1,252,422
Real assets/commodities	54,075	-	-	54,075
Real assets/real estate	53,658	-	-	53,658
Taxable bonds	362,673	-	-	362,673
Exchange traded funds:				
U.S. equities	1,117,456	-	-	1,117,456
Stocks and options:				
U.S. equities	1,577,400	-	-	1,577,400
Total investments	\$ 4,778,392	\$ -	\$ -	\$ 4,778,392

Law Enforcement Legal Defense Fund

Notes to Financial Statements
December 31, 2020 and 2019

5. Investments and Fair Value Measurements (continued)

The following table presents LELDF's fair value hierarchy for those investments measured on a recurring basis as of December 31, 2019:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 138,382	\$ -	\$ -	\$ 138,382
Equity mutual funds:				
Infrastructure	100,045	-	-	100,045
Multi-strategy hedge	195,977	-	-	195,977
Non-U.S. equities	1,158,208	-	-	1,158,208
Real assets/commodities	50,789	-	-	50,789
Real assets/real estate	58,850	-	-	58,850
Taxable bonds	362,604	-	-	362,604
Exchange traded funds:				
U.S. equities	969,891	-	-	969,891
Stocks and options:				
U.S. equities	1,345,103	-	-	1,345,103
Total investments	\$ 4,379,849	\$ -	\$ -	\$ 4,379,849

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

	2020	2019
Interest and dividends	\$ 62,035	\$ 96,980
Realized gain	46,559	107,548
Unrealized gain	453,921	665,748
Less: investment management fees	(48,973)	(48,233)
Total investment return, net	\$ 513,542	\$ 822,043

Law Enforcement Legal Defense Fund

Notes to Financial Statements
December 31, 2020 and 2019

6. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Computer equipment and furniture	\$ 16,305	\$ 8,869
Training simulator	36,966	36,966
Artwork	<u>17,200</u>	<u>17,200</u>
Total property and equipment	70,471	63,035
Less: accumulated depreciation	<u>(45,640)</u>	<u>(37,322)</u>
Property and equipment, net	<u>\$ 24,831</u>	<u>\$ 25,713</u>

7. Commitments and Contingencies

Operating Leases

In March 2016, LELDF entered into an agreement to lease office space in Alexandria, Virginia. The lease commenced on April 1, 2016 and expired on March 31, 2019. The terms of the lease called for monthly payments of \$3,043 and an annual escalation of 3% of the previous year's base rent. In March 2019, the aforementioned office lease was extended for a further period of three years, commencing on April 1, 2019 and expiring on March 31, 2022. The terms of the lease call for monthly payments of \$3,325 and an annual escalation of 3% of the previous year's base rent. On June 30, 2020, this office lease extension was terminated.

In June 2020, LELDF entered into a new agreement to lease office space commencing on July 1, 2020 and expiring on June 30, 2023. The terms of the lease call for monthly payments of \$2,581 and an annual escalation of 3% of the previous year's base rent.

The unamortized portion of the cumulative difference between the actual rent paid and the straight-line rent is reflected as deferred rent in the accompanying statements of financial position.

Total occupancy expense was \$40,451 and \$41,496 for the years ended December 31, 2020 and 2019, respectively.

Law Enforcement Legal Defense Fund

Notes to Financial Statements
December 31, 2020 and 2019

7. Commitments and Contingencies (continued)

Operating Leases (continued)

Future minimum lease payments under the lease agreements are as follows for the years ending December 31:

2021	\$	31,439
2022		32,382
2023		<u>16,430</u>
Total future minimum lease payments	\$	<u><u>80,251</u></u>

8. Retirement Plan

LELDF maintains a 401(k) profit sharing plan for all eligible employees. Employees are eligible to participate in the plan after one year of service and 21 years of age. Employees may elect to defer up to 90% of their compensation up to the maximum limit set annually by the Internal Revenue Service. LELDF will match an employee's elective deferrals on a discretionary basis. LELDF may also make additional contributions to the plan at its discretion. Plan contributions for the years ended December 31, 2020 and 2019 totaled \$63,225 and \$10,655, respectively.

9. Allocation of Joint Costs

Costs associated with certain periodic mailings that meet the requirements for treatment as joint costs are allocated between program services and fundraising. The costs are allocated based on management's analysis of the nature of the mailings. Costs for all mailings were allocated as follows for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Program services	\$ 1,243,173	\$ 425,465
Fundraising	<u>179,590</u>	<u>88,181</u>
Total joint costs	<u><u>\$ 1,422,763</u></u>	<u><u>\$ 513,646</u></u>

Law Enforcement Legal Defense Fund

Notes to Financial Statements
December 31, 2020 and 2019

10. Allocation of Expenses from Management and General Activities

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 personnel costs, depreciation, insurance, office expenses, occupancy, and other, which are allocated on the basis of estimates of time and effort.

11. Income Taxes

LELDF is exempt from payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code (IRC). For the years ended December 31, 2020 and 2019, there was no unrelated business income and, accordingly, no federal or state income taxes have been recorded. Contributions to LELDF are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management has evaluated LELDF's tax positions and concluded that LELDF's financial statements do not include any uncertain tax positions.