

Law Enforcement Legal Defense Fund

Financial Statements
and Independent Auditor's Report

December 31, 2021 and 2020

Law Enforcement Legal Defense Fund

Financial Statements
December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Law Enforcement Legal Defense Fund

Opinion

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, 2021 and 2020; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LELDF as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LELDF and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

Responsibilities of Management for the Financial Statements (continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LELDF's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, handwritten style.

Vienna, Virginia
June 23, 2022

Law Enforcement Legal Defense Fund

Statements of Financial Position December 31, 2021 and 2020

	2021	2020
Assets		
Cash	\$ 348,578	\$ 346,685
Investments	5,617,095	4,778,392
Contributions receivable	20,902	66,039
Property and equipment, net	20,920	24,831
Deposits	3,043	3,043
Total assets	<u>\$ 6,010,538</u>	<u>\$ 5,218,990</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 79,031	\$ 305,592
Accrued retirement contributions	56,078	55,638
Deferred rent	1,674	1,218
Total liabilities	<u>136,783</u>	<u>362,448</u>
Net Assets		
Without donor restrictions	<u>5,873,755</u>	<u>4,856,542</u>
Total net assets	<u>5,873,755</u>	<u>4,856,542</u>
Total liabilities and net assets	<u>\$ 6,010,538</u>	<u>\$ 5,218,990</u>

See accompanying notes.

Law Enforcement Legal Defense Fund

Statements of Activities
For the Years Ended December 31, 2021 and 2020

	2021	2020
Revenue and Support		
Contributions	\$ 3,545,432	\$ 2,659,357
List rental income	32,873	15,256
Investment return, net	738,703	513,542
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Total revenue and support	4,317,008	3,188,155
	<hr/>	<hr/>
Expenses		
Program services:		
Public education and media relations	2,243,197	1,657,513
Case defense	404,354	510,710
Association collaboration	15,919	16,944
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Total program services	2,663,470	2,185,167
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Supporting services:		
General and administrative	187,608	187,865
Fundraising	448,717	327,313
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Total supporting services	636,325	515,178
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Total expenses	3,299,795	2,700,345
	<hr/>	<hr/>
Change in Net Assets	1,017,213	487,810
Net Assets, beginning of year	4,856,542	4,368,732
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Net Assets, end of year	<u>\$ 5,873,755</u>	<u>\$ 4,856,542</u>

See accompanying notes.

Law Enforcement Legal Defense Fund

Statement of Functional Expenses
For the Year Ended December 31, 2021

	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	\$ 124,500	\$ 81,794	\$ 13,651	\$ 219,945	\$ 130,437	\$ -	\$ 130,437	\$ 350,382
Bank and credit card fees	35,818	-	-	35,818	126	15,314	15,440	51,258
Caging and escrow	34,302	-	-	34,302	-	5,939	5,939	40,241
Contributions	-	309,316	-	309,316	-	-	-	309,316
Depreciation	1,687	1,108	185	2,980	1,768	-	1,768	4,748
<i>De minimis</i> assets	-	-	-	-	419	-	419	419
Information technology	11,906	-	-	11,906	988	445	1,433	13,339
Insurance	1,122	737	123	1,982	1,176	-	1,176	3,158
License and registrations	1,221	-	350	1,571	-	-	-	1,571
List rental expense	340,016	-	-	340,016	-	133,164	133,164	473,180
Mail shop	212,814	-	-	212,814	-	36,846	36,846	249,660
Office expense	1,897	1,738	78	3,713	1,602	-	1,602	5,315
Occupancy	11,202	7,360	1,228	19,790	11,736	-	11,736	31,526
Printing, postage, and other	1,018,853	24	-	1,018,877	-	163,944	163,944	1,182,821
Professional fees:								
Accounting fees	-	-	-	-	35,582	-	35,582	35,582
Professional fundraising fees	297,670	-	-	297,670	-	79,786	79,786	377,456
Other professional fees	130,270	1,334	147	131,751	1,578	10,346	11,924	143,675
Statistical modeling	16,938	-	-	16,938	-	2,933	2,933	19,871
Telephone	1,435	943	157	2,535	1,503	-	1,503	4,038
Travel and meetings	1,546	-	-	1,546	693	-	693	2,239
Total Expenses	\$ 2,243,197	\$ 404,354	\$ 15,919	\$ 2,663,470	\$ 187,608	\$ 448,717	\$ 636,325	\$ 3,299,795

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

Statements of Cash Flows For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 1,017,213	\$ 487,810
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,748	8,318
Realized gain on investments	(310,591)	(46,559)
Unrealized gain on investments	(379,447)	(453,921)
Change in operating assets and liabilities:		
Decrease (increase) in:		
Contributions receivable	45,137	(66,039)
Increase (decrease) in:		
Accounts payable and accrued expenses	(226,561)	157,529
Accrued retirement contributions	440	53,237
Deferred rent	456	311
Net cash provided by operating activities	<u>151,395</u>	<u>140,686</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(837)	(7,436)
Purchases of investments	(1,447,749)	(909,932)
Proceeds from sales of investments	<u>1,299,084</u>	<u>1,011,869</u>
Net cash (used in) provided by investing activities	<u>(149,502)</u>	<u>94,501</u>
Net Increase in Cash	1,893	235,187
Cash, beginning of year	<u>346,685</u>	<u>111,498</u>
Cash, end of year	<u><u>\$ 348,578</u></u>	<u><u>\$ 346,685</u></u>

See accompanying notes.

Law Enforcement Legal Defense Fund

Notes to Financial Statements
December 31, 2021 and 2020

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.

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.

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 as a component of net investment return in the accompanying statements of activities. Money market and short-term investment funds, held as a portion of LELDF's investment portfolio, are not considered to be cash equivalents for purposes of cash flows.

Law Enforcement Legal Defense Fund

Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

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.

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.

Law Enforcement Legal Defense Fund

Notes to Financial Statements
December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Advertising Costs

Advertising costs are expensed as incurred. LELDF did not have any advertising costs during the years ended December 31, 2021 and 2020.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 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 for LELDF's fiscal year ending December 31, 2022. Management continues to evaluate the potential impact of this update on LELDF's financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statements of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU is effective for LELDF's fiscal year ending December 31, 2022 and is not expected to have a significant impact on LELDF's financial statements.

Subsequent Events

In preparing these financial statements, LELDF has evaluated events and transactions for potential recognition or disclosure through June 23, 2022, 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, 2021 and 2020

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:

	2021	2020
Cash	\$ 348,578	\$ 346,685
Investments	5,617,095	4,778,392
Contributions receivable	20,902	66,039
Total available for general expenditures	<u>\$ 5,986,575</u>	<u>\$ 5,191,116</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, 2021 and 2020

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:

	Level 1	Level 2	Level 3	Total
<u>2021:</u>				
Money market funds	\$ 147,765	\$ -	\$ -	\$ 147,765
Mutual funds:				
Equities	1,389,598	-	-	1,389,598
Real assets/real estate	62,873	-	-	62,873
Bond funds	612,985	-	-	612,985
Exchange traded funds	1,746,785	-	-	1,746,785
Stocks and options	1,657,089	-	-	1,657,089
	<hr/>			
Total investments	\$ 5,617,095	\$ -	\$ -	\$ 5,617,095
	<hr/>			
<u>2020:</u>				
Money market funds	\$ 73,843	\$ -	\$ -	\$ 73,843
Mutual funds:				
Equities	1,539,287	-	-	1,539,287
Real assets/commodities	54,075	-	-	54,075
Real assets/real estate	53,658	-	-	53,658
Bond funds	362,673	-	-	362,673
Exchange traded funds	1,117,456	-	-	1,117,456
Stocks and options	1,577,400	-	-	1,577,400
	<hr/>			
Total investments	\$ 4,778,392	\$ -	\$ -	\$ 4,778,392
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Law Enforcement Legal Defense Fund

Notes to Financial Statements
December 31, 2021 and 2020

5. Investments and Fair Value Measurements (continued)

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

	2021	2020
Interest and dividends	\$ 110,583	\$ 62,035
Realized gain	310,591	46,559
Unrealized gain	379,447	453,921
Less: investment management fees	(61,918)	(48,973)
Total investment return, net	<u>\$ 738,703</u>	<u>\$ 513,542</u>

6. Property and Equipment

Property and equipment consists of the following at December 31:

	2021	2020
Computer equipment and furniture	\$ 17,142	\$ 16,305
Training simulator	36,966	36,966
Artwork	17,200	17,200
Total property and equipment	71,308	70,471
Less: accumulated depreciation	(50,388)	(45,640)
Property and equipment, net	<u>\$ 20,920</u>	<u>\$ 24,831</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.

Law Enforcement Legal Defense Fund

Notes to Financial Statements
December 31, 2021 and 2020

7. Commitments and Contingencies (continued)

Operating Leases (continued)

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 \$31,526 and \$40,451 for the years ended December 31, 2021 and 2020, respectively.

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

2022	\$	32,382
2023		<u>16,430</u>
Total future minimum lease payments	\$	<u><u>48,812</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, 2021 and 2020 totaled \$63,530 and \$63,225, respectively.

Law Enforcement Legal Defense Fund

Notes to Financial Statements
December 31, 2021 and 2020

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>2021</u>	<u>2020</u>
Program services	\$ 1,514,040	\$ 1,243,173
Fundraising	<u>262,134</u>	<u>179,590</u>
Total joint costs	<u>\$ 1,776,174</u>	<u>\$ 1,422,763</u>

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, 2021 and 2020, 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.