

Law Enforcement Legal Defense Fund

Financial Statements
and Independent Auditor's Report

December 31, 2022 and 2021

Law Enforcement Legal Defense Fund

Financial Statements
December 31, 2022 and 2021

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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, 2022 and 2021; 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, 2022 and 2021, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, LELDF adopted Accounting Standards Update (ASU) 2016-02, Accounting Standards Codification (ASC) 842, *Leases* and all subsequent ASUs that modified ASC 842. LELDF has applied the modified retrospective method to adopt this standard during the year ended December 31, 2022, and adjusted the presentation in the financial statements as permitted by ASC 842. Our opinion is not modified with respect to this matter.

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.

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.

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

- 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.

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.

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

Vienna, Virginia
April 21, 2023

Law Enforcement Legal Defense Fund

Statements of Financial Position December 31, 2022 and 2021

	2022	2021
Assets		
Cash	\$ 320,495	\$ 348,578
Investments	4,463,784	5,617,095
Contributions receivable	68,480	20,902
Property and equipment, net	11,820	20,920
Right-of-use asset – operating lease	15,699	-
Deposits	3,043	3,043
Total assets	<u>\$ 4,883,321</u>	<u>\$ 6,010,538</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 484,223	\$ 79,031
Accrued retirement contributions	-	56,078
Deferred rent	-	1,674
Lease liability – operating lease	16,417	-
Total liabilities	<u>500,640</u>	<u>136,783</u>
Net Assets		
Without donor restrictions	<u>4,382,681</u>	<u>5,873,755</u>
Total net assets	<u>4,382,681</u>	<u>5,873,755</u>
Total liabilities and net assets	<u>\$ 4,883,321</u>	<u>\$ 6,010,538</u>

See accompanying notes.

Law Enforcement Legal Defense Fund

Statements of Activities
For the Years Ended December 31, 2022 and 2021

	2022	2021
Revenue and Support		
Contributions	\$ 3,086,033	\$ 3,545,432
List rental income	12,864	32,873
Investment return, net	(1,028,310)	738,703
	<u>2,070,587</u>	<u>4,317,008</u>
Total revenue and support		
Expenses		
Program services:		
Public education and media relations	2,286,378	2,243,197
Case defense	640,804	404,354
Association collaboration	12,754	15,919
	<u>2,939,936</u>	<u>2,663,470</u>
Total program services		
Supporting services:		
General and administrative	190,228	187,608
Fundraising	431,497	448,717
	<u>621,725</u>	<u>636,325</u>
Total supporting services		
Total expenses	<u>3,561,661</u>	<u>3,299,795</u>
Change in Net Assets	(1,491,074)	1,017,213
Net Assets, beginning of year	<u>5,873,755</u>	<u>4,856,542</u>
Net Assets, end of year	<u>\$ 4,382,681</u>	<u>\$ 5,873,755</u>

See accompanying notes.

Law Enforcement Legal Defense Fund

Statement of Functional Expenses
For the Year Ended December 31, 2022

	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	\$ 123,623	\$ 73,918	\$ 11,005	\$ 208,546	\$ 118,466	\$ -	\$ 118,466	\$ 327,012
Bank and credit card fees	28,276	-	-	28,276	390	11,391	11,781	40,057
Caging and escrow	28,202	-	-	28,202	-	4,531	4,531	32,733
Contributions	-	551,967	-	551,967	-	-	-	551,967
Depreciation	3,444	2,060	304	5,808	3,292	-	3,292	9,100
Information technology	3,242	112	-	3,354	2,705	521	3,226	6,580
Insurance	1,715	1,023	169	2,907	1,697	-	1,697	4,604
License and registrations	285	-	-	285	-	-	-	285
List rental expense	368,176	-	-	368,176	-	147,391	147,391	515,567
Mail shop	117,916	-	-	117,916	-	18,943	18,943	136,859
Office expense	1,790	648	103	2,541	266	-	266	2,807
Occupancy	11,864	7,095	1,047	20,006	11,339	-	11,339	31,345
Printing, postage, and other	1,176,829	267	-	1,177,096	26	171,735	171,761	1,348,857
Professional fees:								
Accounting fees	-	-	-	-	46,826	-	46,826	46,826
Professional fundraising fees	265,879	-	-	265,879	-	62,530	62,530	328,409
Other professional fees	137,500	2,850	-	140,350	3,846	11,882	15,728	156,078
Statistical modeling	16,014	-	-	16,014	-	2,573	2,573	18,587
Telephone	1,445	864	126	2,435	1,375	-	1,375	3,810
Travel and meetings	178	-	-	178	-	-	-	178
Total Expenses	\$ 2,286,378	\$ 640,804	\$ 12,754	\$ 2,939,936	\$ 190,228	\$ 431,497	\$ 621,725	\$ 3,561,661

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

Statements of Cash Flows For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ (1,491,074)	\$ 1,017,213
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	9,100	4,748
Realized gain on investments	(70,943)	(310,591)
Unrealized loss (gain) on investments	1,149,947	(379,447)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	(47,578)	45,137
Right-of-use asset – operating lease	(15,699)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	405,192	(226,561)
Accrued retirement contributions	(56,078)	440
Deferred rent	(1,674)	456
Lease liability – operating lease	16,417	-
Net cash (used in) provided by operating activities	(102,390)	151,395
Cash Flows from Investing Activities		
Purchases of property and equipment	-	(837)
Purchases of investments	(798,359)	(1,447,749)
Proceeds from sales of investments	872,666	1,299,084
Net cash provided by (used in) investing activities	74,307	(149,502)
Net (Decrease) Increase in Cash	(28,083)	1,893
Cash, beginning of year	348,578	346,685
Cash, end of year	\$ 320,495	\$ 348,578

See accompanying notes.

Law Enforcement Legal Defense Fund

Notes to Financial Statements
December 31, 2022 and 2021

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 in 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, 2022 and 2021

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 10 years. Repair and maintenance costs are expensed as incurred.

Operating Lease

LELDF determines if an arrangement is a lease at inception. Operating lease is included in right-of-use (“ROU”) assets, which represent LELDF’s right to use an underlying asset for the lease term, and lease liabilities represent LELDF’s obligation to make lease payments arising from the lease. Operating ROU lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As LELDF’s leases do not provide an implicit rate, LELDF used a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The ROU assets also include any lease payments made and exclude lease incentives. LELDF’s lease terms may include options to extend or terminate the lease when it is reasonably certain that LELDF will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Revenue Recognition

Revenue Accounted for in Accordance with Contribution Accounting

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.

Law Enforcement Legal Defense Fund

Notes to Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

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.

Advertising Costs

Advertising costs are expensed as incurred. LELDF did not have any advertising costs during the years ended December 31, 2022 and 2021.

Adopted Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, Accounting Standards Codification (ASC) 842, *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 ended December 31, 2022. LELDF adopted ASC 842 during the year ended December 31, 2022, and adjusted the presentation in the financial statements as permitted by ASC 842. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

Subsequent Events

In preparing these financial statements, LELDF has evaluated events and transactions for potential recognition or disclosure through April 21, 2023, the date the financial statements were available to be issued.

Law Enforcement Legal Defense Fund

Notes to Financial Statements
December 31, 2022 and 2021

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.

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>2022</u>	<u>2021</u>
Cash	\$ 320,495	\$ 348,578
Investments	4,463,784	5,617,095
Contributions receivable	<u>68,480</u>	<u>20,902</u>
Total available for general expenditures	<u>\$ 4,852,759</u>	<u>\$ 5,986,575</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 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.

Law Enforcement Legal Defense Fund

Notes to Financial Statements
December 31, 2022 and 2021

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>2022:</u>				
Money market funds	\$ 115,876	\$ -	\$ -	\$ 115,876
Mutual funds:				
Equities	1,139,522	-	-	1,139,522
Bond funds	515,993	-	-	515,993
Real assets/real estate	38,405	-	-	38,405
Exchange traded funds	1,368,888	-	-	1,368,888
Stocks and options	1,285,100	-	-	1,285,100
Total investments	\$ 4,463,784	\$ -	\$ -	\$ 4,463,784
<u>2021:</u>				
Money market funds	\$ 147,765	\$ -	\$ -	\$ 147,765
Mutual funds:				
Equities	1,389,598	-	-	1,389,598
Bond funds	612,985	-	-	612,985
Real assets/real estate	62,873	-	-	62,873
Exchange traded funds	1,746,785	-	-	1,746,785
Stocks and options	1,657,089	-	-	1,657,089
Total investments	\$ 5,617,095	\$ -	\$ -	\$ 5,617,095

Law Enforcement Legal Defense Fund

Notes to Financial Statements
December 31, 2022 and 2021

5. Investments and Fair Value Measurements (continued)

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

	2022	2021
Interest and dividends	\$ 104,789	\$ 110,583
Realized gain	70,943	310,591
Unrealized (loss) gain	(1,149,947)	379,447
Less: investment management fees	(54,095)	(61,918)
Total investment return, net	<u>\$ (1,028,310)</u>	<u>\$ 738,703</u>

6. Property and Equipment

Property and equipment consists of the following at December 31:

	2022	2021
Computer equipment and furniture	\$ 17,142	\$ 17,142
Training simulator	36,966	36,966
Artwork	17,200	17,200
Total property and equipment	71,308	71,308
Less: accumulated depreciation	(59,488)	(50,388)
Property and equipment, net	<u>\$ 11,820</u>	<u>\$ 20,920</u>

7. Commitments and Contingencies

Operating Lease

In June 2020, LELDF entered into an 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.

Total occupancy expense was \$31,345 and \$31,526 for the years ended December 31, 2022 and 2021, respectively.

Law Enforcement Legal Defense Fund

Notes to Financial Statements
December 31, 2022 and 2021

7. Commitments and Contingencies (continued)

Operating Lease (continued)

Supplemental qualitative information related to the office lease at December 31, 2022 is as follows:

Operating lease cost	\$	31,345
Cash paid for amounts included in the measurement of lease liabilities – operating cash flows	\$	32,382
Right-of-use asset obtained in exchange for lease obligations	\$	15,699
Weighted-average remaining lease term (in years)		0.5
Weighted-average discount rate		0.40%

Maturities of the lease liabilities under LELDF's office lease are as follows for the year ending December 31:

2023	\$	16,430
Less: discount to present value at 0.40%		<u>(13)</u>
Present value of operating lease liability	\$	<u>16,417</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, 2022 and 2021 totaled \$8,111 and \$63,530, respectively.

Law Enforcement Legal Defense Fund

Notes to Financial Statements
December 31, 2022 and 2021

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>2022</u>	<u>2021</u>
Program services	\$ 1,500,027	\$ 1,514,040
Fundraising	<u>240,982</u>	<u>262,134</u>
Total joint costs	<u>\$ 1,741,009</u>	<u>\$ 1,776,174</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, 2022 and 2021, 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.