

**Law Enforcement Legal Defense Fund**

Financial Statements  
and Independent Auditor's Report

December 31, 2023 and 2022

# Law Enforcement Legal Defense Fund

Financial Statements  
December 31, 2023 and 2022

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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, 2023 and 2022; 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, 2023 and 2022, 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.

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.

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.



Vienna, Virginia  
May 9, 2024

## Law Enforcement Legal Defense Fund

### Statements of Financial Position December 31, 2023 and 2022

	2023	2022
<b>Assets</b>		
Cash	\$ 548,678	\$ 320,495
Investments	4,908,994	4,463,784
Contributions receivable	40,767	68,480
Property and equipment, net	3,951	11,820
Right-of-use asset – operating lease	77,670	15,699
Deposits	3,043	3,043
Total assets	<u>\$ 5,583,103</u>	<u>\$ 4,883,321</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 147,807	\$ 484,223
Lease liability – operating lease	78,183	16,417
Total liabilities	<u>225,990</u>	<u>500,640</u>
<b>Net Assets</b>		
Without donor restrictions	<u>5,357,113</u>	<u>4,382,681</u>
Total net assets	<u>5,357,113</u>	<u>4,382,681</u>
Total liabilities and net assets	<u>\$ 5,583,103</u>	<u>\$ 4,883,321</u>

## Law Enforcement Legal Defense Fund

Statements of Activities  
For the Years Ended December 31, 2023 and 2022

	2023	2022
<b>Revenue and Support</b>		
Contributions	\$ 4,043,956	\$ 3,086,033
List rental income	11,704	12,864
Investment return, net	755,210	(1,028,310)
	<u>4,810,870</u>	<u>2,070,587</u>
<b>Expenses</b>		
Program services:		
Public education and media relations	2,402,085	2,286,378
Case defense	720,892	640,804
Association collaboration	14,012	12,754
	<u>3,136,989</u>	<u>2,939,936</u>
Supporting services:		
General and administrative	220,040	190,228
Fundraising	479,409	431,497
	<u>699,449</u>	<u>621,725</u>
Total expenses	<u>3,836,438</u>	<u>3,561,661</u>
<b>Change in Net Assets</b>	974,432	(1,491,074)
<b>Net Assets, beginning of year</b>	<u>4,382,681</u>	<u>5,873,755</u>
<b>Net Assets, end of year</b>	<u>\$ 5,357,113</u>	<u>\$ 4,382,681</u>

See accompanying notes.

**Law Enforcement Legal Defense Fund**

Statement of Functional Expenses  
For the Year Ended December 31, 2023

	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	\$ 171,064	\$ 94,841	\$ 12,396	\$ 278,301	\$ 159,983	\$ -	\$ 159,983	\$ 438,284
Bank and credit card fees	32,502	-	-	32,502	758	17,652	18,410	50,912
Caging and escrow	46,297	-	-	46,297	-	7,206	7,206	53,503
Contributions	-	614,162	-	614,162	-	-	-	614,162
Depreciation	3,061	1,703	223	4,987	2,882	-	2,882	7,869
Information technology	3,678	456	-	4,134	2,023	1,140	3,163	7,297
Insurance	1,637	908	119	2,664	1,531	-	1,531	4,195
License and registrations	-	-	200	200	-	-	-	200
List rental expense	341,184	-	-	341,184	-	154,459	154,459	495,643
Mail shop	236,663	-	-	236,663	-	36,835	36,835	273,498
Office expense	235	105	14	354	232	7	239	593
Occupancy	12,938	7,173	938	21,049	12,100	-	12,100	33,149
Printing, postage, and other	1,075,999	-	-	1,075,999	516	161,108	161,624	1,237,623
Professional fees:								
Accounting fees	-	-	-	-	34,200	-	34,200	34,200
Professional fundraising fees	332,481	-	-	332,481	-	86,818	86,818	419,299
Other professional fees	123,370	-	-	123,370	4,048	11,212	15,260	138,630
Statistical modeling	19,100	-	-	19,100	-	2,972	2,972	22,072
Telephone	1,680	931	122	2,733	1,571	-	1,571	4,304
Travel and meetings	196	613	-	809	196	-	196	1,005
<b>Total Expenses</b>	<b>\$ 2,402,085</b>	<b>\$ 720,892</b>	<b>\$ 14,012</b>	<b>\$ 3,136,989</b>	<b>\$ 220,040</b>	<b>\$ 479,409</b>	<b>\$ 699,449</b>	<b>\$ 3,836,438</b>

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
<b>Total Expenses</b>	<b>\$ 2,286,378</b>	<b>\$ 640,804</b>	<b>\$ 12,754</b>	<b>\$ 2,939,936</b>	<b>\$ 190,228</b>	<b>\$ 431,497</b>	<b>\$ 621,725</b>	<b>\$ 3,561,661</b>

See accompanying notes.



## Law Enforcement Legal Defense Fund

### Statements of Cash Flows For the Years Ended December 31, 2023 and 2022

	2023	2022
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 974,432	\$ (1,491,074)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	7,869	9,100
Realized gain on investments	(175,268)	(70,943)
Unrealized (gain) loss on investments	(553,957)	1,149,947
Amortization on right-of-use asset – operating lease	30,297	31,289
Change in operating assets and liabilities:		
Decrease (increase) in:		
Contributions receivable	27,713	(47,578)
(Decrease) increase in:		
Accounts payable and accrued expenses	(336,416)	349,114
Lease liability – operating lease	(30,502)	(32,245)
Net cash used in operating activities	(55,832)	(102,390)
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	-	-
Purchases of investments	(103,379)	(798,359)
Proceeds from sales of investments	387,394	872,666
Net cash provided by investing activities	284,015	74,307
<b>Net Increase (Decrease) in Cash</b>	228,183	(28,083)
<b>Cash, beginning of year</b>	320,495	348,578
<b>Cash, end of year</b>	\$ 548,678	\$ 320,495
<b>Noncash Transaction Arising from ASC 842</b>		
Establishment of right-of-use assets – operating lease	\$ 77,670	\$ 46,983
Establishment of lease liability – operating lease	\$ 77,670	\$ 48,657
Write-off of deferred rent obligation	\$ -	\$ 1,674

See accompanying notes.

# Law Enforcement Legal Defense Fund

Notes to Financial Statements  
December 31, 2023 and 2022

## 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, 2023 and 2022

### 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.

## Law Enforcement Legal Defense Fund

Notes to Financial Statements  
December 31, 2023 and 2022

### 2. Summary of Significant Accounting Policies (continued)

#### Revenue Recognition (continued)

*Revenue Accounted for in Accordance with Contribution Accounting (continued)*

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.

#### Advertising Costs

Advertising costs are expensed as incurred and were \$39,100 and \$123,011 during the years ended December 31, 2023 and 2022, respectively.

#### Subsequent Events

In preparing these financial statements, LELDF has evaluated events and transactions for potential recognition or disclosure through May 9, 2024, 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, 2023 and 2022

### 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:

	2023	2022
Cash	\$ 548,678	\$ 320,495
Investments	4,908,994	4,463,784
Contributions receivable	40,767	68,480
Total available for general expenditures	<u>\$ 5,498,439</u>	<u>\$ 4,852,759</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 Financial Accounting Standards Board Accounting Standards Codification (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, 2023 and 2022

### 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>2023:</u>				
Money market funds	\$ 102,123	\$ -	\$ -	\$ 102,123
Mutual funds:				
Equities	1,331,363	-	-	1,331,363
Bond funds	455,643	-	-	455,643
Real assets/real estate	46,967	-	-	46,967
Stocks and options	2,972,898	-	-	2,972,898
Total investments	\$ 4,908,994	\$ -	\$ -	\$ 4,908,994
	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

## Law Enforcement Legal Defense Fund

Notes to Financial Statements  
December 31, 2023 and 2022

### 5. Investments and Fair Value Measurements (continued)

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

	2023	2022
Interest and dividends	\$ 83,769	\$ 104,789
Realized gain	175,268	70,943
Unrealized gain (loss)	553,957	(1,149,947)
Less: investment management fees	(57,784)	(54,095)
Total investment return, net	<u>\$ 755,210</u>	<u>\$ (1,028,310)</u>

### 6. Property and Equipment

Property and equipment consists of the following at December 31:

	2023	2022
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	(67,357)	(59,488)
Property and equipment, net	<u>\$ 3,951</u>	<u>\$ 11,820</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 called for monthly payments of \$2,581 and an annual escalation of 3% of the previous year's base rent. On June 2023, the lease was renewed for an additional three years commencing on July 1, 2023 and expiring on June 30, 2026. The terms of the lease call for monthly payments of \$2,821 and an annual escalation of 3% of the previous year's base rent.

## Law Enforcement Legal Defense Fund

Notes to Financial Statements  
December 31, 2023 and 2022

### 7. Commitments and Contingencies (continued)

#### Operating Lease (continued)

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

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 33,149	\$ 31,345
Cash paid for amounts included in the measurement of lease liabilities – operating cash flows	\$ 30,579	\$ 32,246
Right-of-use asset obtained in exchange for lease obligations	\$ 77,670	\$ 15,699
Weighted-average remaining lease term (in years)	2.5	0.5
Weighted-average discount rate	4.13%	0.40%

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

2024	\$ 32,861
2025	32,950
2026	<u>16,529</u>
Total minimum lease payments	82,340
Less: discount to present value	<u>(4,157)</u>
Present value of operating lease liability	<u>\$ 78,183</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, 2023 and 2022 totaled \$70,308 and \$62,852, respectively.



## Law Enforcement Legal Defense Fund

Notes to Financial Statements  
December 31, 2023 and 2022

### 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>2023</u>	<u>2022</u>
Program services	\$ 1,808,902	\$ 1,500,027
Fundraising	<u>281,548</u>	<u>240,982</u>
Total joint costs	<u>\$ 2,090,450</u>	<u>\$ 1,741,009</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, 2023 and 2022, 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.