

**NATIONAL LAW ENFORCEMENT OFFICERS
MEMORIAL FUND, INC. AND AFFILIATE**

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020



NATIONAL LAW ENFORCEMENT OFFICERS MEMORIAL FUND, INC. AND AFFILIATE

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
National Law Enforcement Officers Memorial Fund, Inc.
Washington, DC

We have audited the accompanying consolidated financial statements of the National Law Enforcement Officers Memorial Fund, Inc. (a nonprofit organization) and Affiliate (collectively the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the National Law Enforcement Officers Memorial Fund, Inc. and Affiliate as of December 31, 2020, and the consolidated changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter - Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 8 to the consolidated financial statements, the Organization is in default on certain covenants, debt service and interest payments on the bond agreements at December 31, 2020. As discussed in Note 15 to the consolidated financial statements, management has instituted a disciplined budget to reduce overhead and operating expenses and is broadening its sources of revenue through greater Board and leadership engagement in fundraising. The plan to increase revenue is contingent on management's ability to raise funds without donor restrictions. The Organization has a loan agreement with debt service obligations on specified dates and the Organization may not have sufficient funds to meet these obligations at those times, resulting in additional defaults. These conditions raise substantial doubt about the Organization's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

UHY LLP

Columbia, Maryland
June 7, 2021

**NATIONAL LAW ENFORCEMENT OFFICERS
MEMORIAL FUND, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2020**

ASSETS

Cash and cash equivalents	\$ 5,425,873
Investments	9,863,311
Receivables	29,000
Contributions and grants receivable, net	2,453,927
Prepaid expenses and other assets	617,071
Building, property and equipment, net	117,605,764
Memorial, net	17,706,313
Assets limited to use	<u>1,483,223</u>
 Total assets	 <u><u>\$ 155,184,482</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 1,302,281
Deferred revenue	1,221,685
Interest payable	13,386,786
Bonds payable	<u>94,381,065</u>
 Total liabilities	 <u>110,291,817</u>

NET ASSETS

Without donor restrictions	
Undesignated	17,373,097
Board designated for memorial maintenance endowment fund	4,171,217
Invested in memorial	<u>17,706,313</u>
Total net assets without donor restrictions	39,250,627
With donor restrictions	<u>5,642,038</u>
 Total net assets	 <u><u>44,892,665</u></u>
 Total liabilities and net assets	 <u><u>\$ 155,184,482</u></u>

**NATIONAL LAW ENFORCEMENT OFFICERS
MEMORIAL FUND, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions	\$ 14,748,770	\$ 1,248,364	\$ 15,997,134
Museum income	129,006	-	129,006
Merchandise sales	225,158	-	225,158
Grants	517,970	-	517,970
Paycheck Protection Program grant	914,755	-	914,755
List rental	94,186	-	94,186
Net investment income	530,932	257,907	788,839
Special events and activities, net	124,206	-	124,206
Other	105,527	-	105,527
Net assets released from restrictions	3,879,294	(3,879,294)	-
	<u>21,269,804</u>	<u>(2,373,023)</u>	<u>18,896,781</u>
Expenses			
Program services:			
Museum	10,933,648	-	10,933,648
Public awareness	4,543,024	-	4,543,024
Memorial operations	2,065,454	-	2,065,454
Officer safety and wellness	685,696	-	685,696
	<u>18,227,822</u>	<u>-</u>	<u>18,227,822</u>
Supporting services:			
Fundraising	6,414,862	-	6,414,862
Management and general	810,278	-	810,278
	<u>25,452,962</u>	<u>-</u>	<u>25,452,962</u>
Change in net assets, before non-operating activities	<u>(4,183,158)</u>	<u>(2,373,023)</u>	<u>(6,556,181)</u>
Non-operating activities:			
Depreciation and amortization	4,998,574	-	4,998,574
Change in allowance and bad debt expense	(12,500)	-	(12,500)
Loss on fixed asset disposals	84,339	-	84,339
	<u>5,070,413</u>	<u>-</u>	<u>5,070,413</u>
Change in Net Assets	(9,253,571)	(2,373,023)	(11,626,594)
Net Assets, Beginning	<u>48,504,198</u>	<u>8,015,061</u>	<u>56,519,259</u>
Net Assets, Ending	<u>\$ 39,250,627</u>	<u>\$ 5,642,038</u>	<u>\$ 44,892,665</u>

See notes to consolidated financial statements.

**NATIONAL LAW ENFORCEMENT OFFICERS
MEMORIAL FUND, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2020**

	Program Services				Supporting Services				Total Expenses
	Museum	Public Awareness	Memorial Operations	Officer Safety and Wellness	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Personnel costs:									
Salary	\$ 1,015,592	\$ 513,845	\$ 717,450	\$ 276,399	\$ 2,523,286	\$ 474,217	\$ 220,869	\$ 695,086	\$ 3,218,372
Employee benefits	124,663	63,074	88,066	33,928	309,731	58,210	27,111	85,321	395,052
Payroll taxes	73,500	37,188	51,923	20,003	182,614	34,320	15,985	50,305	232,919
Total personnel costs	1,213,755	614,107	857,439	330,330	3,015,631	566,747	263,965	830,712	3,846,343
Accounting and legal	196,842	99,594	139,057	53,572	489,065	91,913	92,308	184,221	673,286
Administrative	10,426	5,275	7,364	2,837	25,902	4,868	2,268	7,136	33,038
Bank fees	36,268	18,350	25,621	9,871	90,110	16,935	7,888	24,823	114,933
Caging	-	111,377	-	-	111,377	170,906	10,280	181,186	292,563
Computer services	169,048	147,406	111,092	10,855	438,401	406,142	19,491	425,633	864,034
Consulting	32,952	328,736	9,621	3,137	374,446	527,269	27,256	554,525	928,971
Dollar bills and coins	-	245,841	-	-	245,841	377,242	22,691	399,933	645,774
Dues and subscriptions	4,252	1,535	1,377	531	7,695	9,685	424	10,109	17,804
Equipment rental	4,525	2,289	9,142	1,231	17,187	2,113	984	3,097	20,284
Grants	-	-	450,000	-	450,000	-	-	-	450,000
Insurance	97,155	49,157	68,635	26,441	241,388	45,366	21,129	66,495	307,883
Interest expense	8,263,668	-	-	-	8,263,668	-	2,901	2,901	8,266,569
Licenses and fees	158	80	112	43	393	74	35	109	502
List rental	-	106,308	-	-	106,308	163,129	9,812	172,941	279,249
Lobbying expenses	10,471	5,298	7,397	2,850	26,016	4,889	2,278	7,167	33,183
Mailing services	-	1,327,365	-	-	1,327,365	2,036,832	122,515	2,159,347	3,486,712
Meals and entertainment	790	391	423	163	1,767	1,463	130	1,593	3,360
Media advertising	-	95,276	-	-	95,276	-	-	-	95,276
Miscellaneous	3,493	889	1,365	478	6,225	931	383	1,314	7,539
Moving	10,927	5,528	7,719	2,974	27,148	5,102	2,376	7,478	34,626
Online store	89,101	-	-	-	89,101	-	-	-	89,101
Photography and video	-	367	-	-	367	-	-	-	367
Postage and delivery	6,514	1,214,947	4,602	1,773	1,227,836	1,862,770	113,252	1,976,022	3,203,858
Printing and graphics	-	11,669	-	-	11,669	-	-	-	11,669
Program expenses	69,592	3,300	-	111,922	184,814	-	-	-	184,814
Promotional items	-	10,138	-	-	10,138	-	-	-	10,138
Public relations	-	21,056	-	-	21,056	-	-	-	21,056
Registrations	3,302	1,671	2,333	899	8,205	1,542	717	2,259	10,464
Rent	52,132	26,376	36,828	14,188	129,524	24,342	11,337	35,679	165,203
Repairs and maintenance	22,963	989	127,214	989	152,155	989	990	1,979	154,134
Security system	269,096	35,927	35,953	35,897	376,873	35,922	35,892	71,814	448,687
Seminars and training	1,197	641	846	326	3,010	5,190	260	5,450	8,460
Special events	-	1,999	101,337	-	103,336	-	-	-	103,336
Staff development	17,811	9,012	12,583	4,848	44,254	8,317	3,874	12,191	56,445
Storage	91,853	465	649	250	93,217	429	200	629	93,846
Supplies	3,456	1,365	8,481	798	14,100	1,554	666	2,220	16,320
Telephone	893	452	631	243	2,219	417	195	612	2,831
Travel and meetings	1,087	2,529	1,240	34,183	39,039	6,675	9	6,684	45,723
Utilities	249,921	35,319	36,393	34,067	355,700	35,109	33,772	68,881	424,581
Total expenses	\$ 10,933,648	\$ 4,543,024	\$ 2,065,454	\$ 685,696	\$ 18,227,822	\$ 6,414,862	\$ 810,278	\$ 7,225,140	\$ 25,452,962

See notes to consolidated financial statements.

**NATIONAL LAW ENFORCEMENT OFFICERS
MEMORIAL FUND, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2020**

Cash Flows from Operating Activities

Change in net assets	\$ (11,626,594)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Non-cash activities:	
Depreciation and amortization	4,998,574
Amortization of debt issuance costs	454,812
Change in allowance for doubtful receivables	(12,500)
Realized gains on sales of investments	(231,265)
Unrealized gains on investments	(410,649)
Loss on property and equipment disposals	84,339
Decrease (increase) in assets:	
Receivables	(18,330)
Contributions and grants receivable	2,624,714
Prepaid expenses and other assets	(17,677)
Operating lease right-to-use asset	153,034
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(1,163,532)
Deferred revenue	(405,433)
Operating lease obligations	(181,882)
Interest payable	7,808,857
	<hr/>
Net cash provided by operating activities	2,056,468

Cash Flows from Investing Activities

Purchases of investments	(1,441,058)
Proceeds from sale of investments	1,405,765
Purchases of property and equipment	(239,530)
Purchases of memorial development costs	(1,068,679)
	<hr/>
Net cash used by investing activities	(1,343,502)

Cash Flows from Financing Activities

Change in assets limited as to use	177,004
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Net Increase in Cash and Cash Equivalents

889,970

Cash and Cash Equivalents, Beginning

4,535,903

Cash and Cash Equivalents, Ending

\$ 5,425,873

Supplemental disclosure of cash flow information:

Cash paid for operating lease liabilities	\$ 186,457
Cost of property and equipment disposals	\$ 2,319,896
Accumulated depreciation on property and equipment disposals	\$ (2,235,557)

**NATIONAL LAW ENFORCEMENT OFFICERS MEMORIAL FUND, INC.
AND AFFILIATE**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020

NOTE 1 - ORGANIZATION

The National Law Enforcement Officers Memorial Fund, Inc. and Affiliate consists of National Law Enforcement Officers Memorial Fund, Inc. (the "Memorial Fund") and the Thin Blue Line Community Bike Rides (the "TBLCBR"), collectively, the Organization.

The Memorial Fund was incorporated on June 29, 1984, under the provisions of the District of Columbia Not-for-Profit Corporation Act. The Memorial Fund is dedicated to honoring and remembering the service and sacrifice of the law enforcement officers in the United States. The Memorial Fund constructed a permanent national memorial (the "Memorial") to those law enforcement officers and continues to educate the general population as to the officers' and their families' sacrifices. The Memorial is located in Washington, D.C. on federal land and is maintained under federal law. The Memorial Fund provides education and promotion of this Memorial to the general public.

In January 2016, the Memorial Fund obtained financing for the construction of the National Law Enforcement Officers Museum (the "Museum") from the issuance of \$103,130,000 District of Columbia, National Center for Law Enforcement Issue, revenue bonds. The revenue bonds were issued by the District of Columbia and the proceeds were lent to the Memorial Fund through a loan agreement (see Note 8). The Museum, constructed on federal land adjacent to the Memorial and opened in October 2018. The Museum tells the story of American law enforcement through exhibits, collections, research and education. The Memorial Fund owns the Museum and is responsible for its daily operations and maintenance.

TBLCBR was formed in December 2009 and began operations during the year ended December 31, 2011. The primary purpose of TBLCBR is to undertake activities that educate and generate support from the general public with respect to public service, the sacrifice of law enforcement officers and the promotion of law enforcement safety; and, to take all other appropriate action in furtherance of such purposes. TBLCBR was dissolved as of December 31, 2020.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The accompanying financial statements have been prepared assuming the Organization will continue as a going concern which contemplates the realization of assets and settlement of liabilities in the normal course of business. As discussed in Notes 8 and 15, the Organization is seeking an agreement for forbearance of action with regards to its loan defaults and management is in the process of finalizing a 3-year business plan to reduce operating costs and increase revenues. The continued operations of the Organization are dependent on its ability to increase revenues without donor restrictions and forbearance of action on its loan defaults.

**NATIONAL LAW ENFORCEMENT OFFICERS MEMORIAL FUND, INC.
AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measure of Operations

The accompanying consolidated statements of activities distinguish between operation and non-operating activities. Operating activities include all revenue and expenses that are an integral part of the Organization's programs. Non-operating activities include the following: net investment income, bad debt and changes in the allowance for bad debt, and the depreciation and amortization.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates and be affected by the severity and duration of the COVID-19 pandemic, the extent of actions to contain or treat COVID-19, how quickly and to what extent normal economic and operating activity can resume, and the severity and duration of the global economic downturn that results from the pandemic.

As discussed in Note 11, the Organization obtained a loan under the Paycheck Protection Program (PPP). According to the rules of the Small Business Administration (SBA), the Organization is required to retain PPP loan documentation for six years after the date the loan is forgiven or repaid in full, and permit authorized representatives of the SBA, including representatives of its Office of Inspector General, to access such files upon request. Should the SBA conduct such a review and reject all or some of the Organization's judgments pertaining to satisfying PPP loan eligibility or forgiveness conditions, the Organization may be required to adjust previously reported amounts and disclosures in the consolidated financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of the Memorial Fund and TBLCBR. All significant intercompany balances and transaction have been eliminated in consolidation.

Fair Value Measurements

The Organization follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist. Pursuant to U.S. GAAP guidance, alternative investments where fair value is measured at Net Asset Value ("NAV") are not categorized in the fair value hierarchy.

**NATIONAL LAW ENFORCEMENT OFFICERS MEMORIAL FUND, INC.
AND AFFILIATE**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments Valuation and Income Recognition

Investments are reported on the basis of quoted market prices as reported on the last business day of the year on securities exchanges throughout the world for mutual funds, stocks and bonds. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the Organization's interest therein. Money market accounts and certificates of deposit are valued at the amounts deposited plus accrued interest, and are not measured at fair value. Purchases and sales of investments are recorded on a trade date basis. Realized and unrealized gains and losses on investments are calculated based on cost and are reflected in the consolidated statement of activities. Dividend income is recorded on the ex-dividend date and interest income is recorded on an accrual basis.

Investments Risks and Uncertainties

Alternative investments consist of non-traditional, not readily marketable investments, some of which may be structured as offshore limited partnerships, venture capital funds, hedge funds, private equity funds and common trust funds. The underlying investments of such funds, whether invested in stock or other securities, are generally not currently traded in a public market and typically are subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees' financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment.

Receivables and Allowance for Doubtful Accounts

Receivables are carried at original invoice amounts less an estimate made for doubtful receivables. An allowance for doubtful accounts is established for receivables where there exists doubt as to whether an amount will be fully collected. The determination of this allowance is an estimate based on the Organization's historical experience, review of account balances and expectations relative to collections.

Building, Property and Equipment

Building, property and equipment are stated at cost, or if donated, at fair value at the date of the gift, less accumulated depreciation and amortization. The Organization capitalizes all purchases of property and equipment greater than \$3,000. Depreciation is recognized using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years for furniture and equipment and computer hardware and software, and 25 to 30 years for the Memorial and Museum building and collections. Leasehold improvements are amortized over the terms of the lease agreement.

**NATIONAL LAW ENFORCEMENT OFFICERS MEMORIAL FUND, INC.
AND AFFILIATE**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Building, Property and Equipment (continued)

Repairs and maintenance that do not improve or extend the life of the respective asset are charged to expense as incurred. At the time building, property and equipment are retired or disposed of, the building, property and equipment and related accumulated depreciation and amortization accounts are relieved of the applicable amounts, and any gain or loss is credited or charged to current operations.

Building, property and equipment assets are reviewed for impairment if the use of the assets significantly changes or another indicator of possible impairment is identified. If the carrying amount of an asset is not recoverable, the value is written down to the asset's fair value. There were no asset impairments for the year ended December 31, 2020.

Memorial

Direct costs and certain allocations of costs of designing and constructing the national Memorial and related improvements were capitalized as incurred. The Memorial is considered a work of art/national treasure and is not depreciated. Costs for restoration or preservation are capitalized and depreciated in accordance with their useful life, which includes re-engraving of names, wall cleaning, tree beds, light replacement and perimeter security.

Assets Limited as to Use

Limited use assets consist of assets set aside under terms of the loan agreement with the District of Columbia. The assets are under control of a trustee through an indenture agreement, and are to be used for debt service and Museum construction. There was no interest income earned on such assets in 2020. Prior to the opening of the Museum in October 2018, interest income was off-set against capitalized bond interest costs. Thereafter, all interest income earned on the assets is included in investment return in the consolidated statement of activities and will remain under the control of the trustee and used towards the payment of debt service.

Deferred Revenue

A corporate sponsorship agreement, ending on August 31, 2023, was executed to assist with development of a museum app and other technological needs in exchange for certain benefits. This sponsorship is deferred and recognized throughout the term of the agreement. Advance ticket purchases for Museum admissions and tours are deferred and recognized on the ticket date.

**NATIONAL LAW ENFORCEMENT OFFICERS MEMORIAL FUND, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Issuance Costs

Debt issuance costs are reported in the consolidated statement of financial position as a direct reduction from the face amount of the debt. Costs incurred in connection with debt issuance are amortized over the term of the debt using the straight-line method (which approximates the effective interest method) and were capitalized to Museum development costs prior to the opening of the Museum. Thereafter, amortization of debt issuance costs is reflected in interest expense in the consolidated statement of functional expenses.

As of December 31, 2020, the debt issuance costs totaled \$8,457,310 and the accumulated amortization of the bond issuance costs totaled \$2,033,375. The unamortized debt issuance costs totaled \$6,423,935 as of December 31, 2020. For the year ended December 31, 2020, the amount expensed as interest totaled \$454,812.

Net Assets without Donor Restrictions

Undesignated - Net assets derived from contributions and all other revenue sources that are not subject to donor-imposed stipulations and are available for use at the discretion of management for general operating expenses.

Designated for Memorial Maintenance - Net assets designated by the Board to be used for maintenance, restoration, and expansion of the Memorial.

Memorial development costs - Net assets designated by the Board as capitalized for direct costs of designing, constructing, and maintaining the Memorial.

Net Assets with Donor Restrictions

Net assets with donor restrictions consists of assets whose use is limited by donor-imposed time and/or purpose restrictions.

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulation that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends, or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the consolidated statement of activities as net assets released from restrictions.

Gifts of cash and other assets with donor restrictions are reported as 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.

**NATIONAL LAW ENFORCEMENT OFFICERS MEMORIAL FUND, INC.
AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Support Recognition

During the year ended December 31, 2020, the Organization adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2015-14, *Revenue from Contracts with Customers (Topic 606)*, using the modified retrospective method by applying it to contracts that were not completed prior to January 1, 2020. The adoption of this guidance did not result in a change for any of the in-scope revenue streams; as such, no cumulative effect adjustment was recorded. Contributions and grants are not subject to this accounting standard.

The Organization recognizes various revenue streams under contracts with customers. For each revenue stream identified below, revenue recognition is subject to the completion of performance obligations. For each contract with a customer, the Organization determined whether the performance obligations in the contracts are distinct or should be bundled. Factors to be considered include the pattern of transfer, whether the customers can benefit from the resources, and whether the resources are readily available. The Organization also performs an analysis to determine if membership dues, conferences, or other streams constitute separate performance obligations.

The Organization recognizes the revenue over a period of time if the customer receives and consumes the benefits that the Organization provided, or if the Organization's performance does not create an asset with an alternative use, and has an enforceable right to payment for the performance. The revenue is recognized at a given point in time when the control of the goods or service is transferred to the customer and when the customer can direct its use and obtain substantial benefit from the goods. The transaction price is calculated as the amount of consideration to which the Organization expects to be entitled (such as museum income), which the Organization may collect cash prior to the satisfaction of the performance obligation. This results in the Organization recognizing contract liabilities upon receipt of payment.

The following explains the performance obligations related to each revenue and support category and how they are recognized.

Contributions and Grants - Revenue is recognized by the Organization when contributions and grants are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Organization. Conditional contributions – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the condition on which they depend have been met or explicitly waived by the donor or grantee. Conditional contributions received are reported as refundable advance until all conditions are substantially met.

Contributions received are reported as without donor restrictions unless the gift was received with donor stipulations that limit the use of the donated amount and as such, are recognized as with donor restrictions. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates applicable to the years in which the promises are received and consider market and credit risk as applicable. Amortization of the discounts and changes in the allowance for doubtful accounts are included in the consolidated statement of activities.

**NATIONAL LAW ENFORCEMENT OFFICERS MEMORIAL FUND, INC.
AND AFFILIATE**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Support Recognition (continued)

Based on management's evaluation of the collection of promises, the allowance for doubtful promises was \$30,000 at December 31, 2020.

In-Kind Contributions - Donated services are reported in the consolidated financial statements at fair value if those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and that would typically be purchased if not provided by donation. Donated materials and other non-cash items are reported at fair value at the date of the donation.

Donated assets accepted by the Organization are recorded at fair value on the date the asset was transferred to the Organization, or when the promise to give was made.

Museum Revenue - Revenue from Museum admissions, tours, memberships, and merchandise sales represent the majority of Museum revenue. Admissions and tours revenue are recognized when the services are performed. Merchandise sales are recognized as revenue at the time of sale or upon shipment of the merchandise.

Special Events - The Organization holds several special events and activities throughout the year. Revenue and the related expenses are recognized when the events occur.

Functional Allocation of Expenses

The costs of providing various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management, and based on time and costs where efforts are made. Costs associated with the Organization's information mailings are allocated using joint cost allocations.

The Organization categorized expenses as follows:

Public Awareness: All expenses associated with general public relations and publicity.

Officer Safety and Wellness Program: All expenses to further the Organization's purpose of reducing line-of-duty fatalities and improving officer safety and wellness, through traffic safety initiatives, education programs, the Destination Zero Initiative and the National Officer Safety and Wellness Awards and the work in officer suicide prevention through the SAFLEO project partnering with the institute for Intergovernmental Research.

Museum: All expenses associated with operating and maintaining the Museum. Also included in this category are all expenses related to debt service.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses (continued)

Fundraising: All expenses associated with the purpose of raising funds.

Management and general: All other operating expenses incurred by the Organization for the accomplishment of its tax-exempt purpose.

Allocation of Joint Costs

The Organization allocated joint costs incurred associated with information mailings that contain an appeal for funds between the societal materials program and fundraising expense categories on the accompanying consolidated statement of functional expenses. For the year ended December 31, 2020, the Organization incurred joint costs of \$7,353,991 of which \$2,799,610 was allocated to program expenses, \$258,401 to management and general, and \$4,295,980 to fundraising expenses.

Advertising Costs

Advertising costs are expensed as incurred and amounted to \$95,276 for the year ended December 31, 2020.

Income Tax Status

The Memorial Fund and TBLCBR are generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Memorial Fund and TBLCBR qualify for charitable contribution deductions and have been classified as organizations that are not private foundations. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Memorial Fund and TBLCBR have no tax liability for unrelated business income for the year ended December 31, 2020.

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition or disclosure. The Organization is no longer subject to examination by the applicable taxing jurisdictions for years prior to 2017.

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NOTE 3 - CONCENTRATIONS

Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist principally of cash, investments and receivables. Cash on deposit with financial institutions may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. The Organization does not believe that a significant risk of loss due to the failure of a financial institution presently exists. At December 31, 2020, approximately \$4,475,000 of cash was held with an institution in excess of FDIC limits.

The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment, investment advisor, investment manager or group of investments represents a significant concentration of credit risk.

At December 31, 2020, contributions and grants receivable included \$1,552,167 due from one donor to support the Museum which represents approximately 63% of outstanding contributions and grants receivable.

NOTE 4 - CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivables are due as follows as of December 31, 2020:

Grant receivables due in less than one year	\$ 170,510
Promises to give in less than one year	1,229,905
Promises to give in one to five years	<u>1,085,512</u>
	2,485,927
Allowance for doubtful promises to give	(30,000)
Discount to net present value	<u>(2,000)</u>
 Total contributions and grants receivable, net	 <u><u>\$ 2,453,927</u></u>

Promises to give in one year or more are measured using the present value of future cash flows based on a discount rate of 2.60%.

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NOTE 5 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following are assets of the Organization at fair value on a recurring basis by level within the hierarchy as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Common stock	\$ 3,322,446	\$ -	\$ -	\$ 3,322,446
Mutual funds	3,166,951	-	-	3,166,951
Government and agency securities	-	153,977	-	153,977
Corporate bonds	<u>-</u>	<u>499,526</u>	<u>-</u>	<u>499,526</u>
 Total Investments at Fair Value	 <u>\$ 6,489,397</u>	 <u>\$ 653,503</u>	 <u>\$ -</u>	 7,142,900
Measured at cost				
Money markets, at cost				2,308,546
Measured at NAV (a)				
Alternative investment				<u>411,865</u>
 Total investments				 <u>\$ 9,863,311</u>
Assets limited as to use measured at cost:				
Money markets				<u>\$ 1,483,223</u>

* As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy.

(a) CPG Carlyle Commitments Master Fund, LLC's (the "Master Fund") investment objective is to seek attractive long-term capital appreciation. The Master Fund seeks to achieve its investment objective by investing predominately (under normal circumstances, generally less than 80% of its assets) in multiple alternative investment funds, co-investments and direct investments sponsored by the Carlyle L.P. Group and its affiliates, with an emphasis on private equity funds. Investments have no redemption provisions, are issued in private placement transactions and are restricted to resale. The redemption frequency is quarterly and the redemption notice period is 45 days. There were no redemption restrictions. There were no unfunded commitments at December 31, 2020.

There have been no transfers between levels in the hierarchy and no changes in valuation techniques or related inputs.

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NOTE 5 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Net investment income is comprised of the following for the year ended December 31, 2020:

Interest and dividends	\$ 217,545
Less investment expenses	<u>(70,620)</u>
	<u>146,925</u>
Realized gains	231,265
Unrealized gains	<u>410,649</u>
	<u>641,914</u>
Net investment income	<u>\$ 788,839</u>

NOTE 6 - BUILDING, PROPERTY AND EQUIPMENT

As of December 31, 2020, the cost of the building, property and equipment and the related accumulated depreciation and amortization consists of the following:

Museum building and collections	\$ 122,346,909
Equipment, exhibits, video and technology	5,823,937
Furniture and equipment	213,793
Building improvements	<u>-</u>
	128,384,639
Less, accumulated depreciation and amortization	<u>(10,778,875)</u>
Net value of building, property and equipment	<u>\$ 117,605,764</u>

For the year ended December 31, 2020, depreciation and amortization expense on the building, property and equipment totaled \$4,923,770.

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NOTE 7 - MEMORIAL

As of December 31, 2020, the cost of the Memorial and the related accumulated depreciation and amortization consists of the following costs as of December 31, 2020:

Memorial and expansion	<u>\$ 16,501,621</u>
Assets subject to depreciation and amortization:	
Re-engraving	1,182,243
Tree beds	287,426
Wall cleaning	292,752
Light replacement	94,745
Perimeter security	<u>57,912</u>
	1,915,078
Less, accumulated depreciation and amortization	<u>(710,386)</u>
	<u>1,204,692</u>
Net value of the Memorial	<u>\$ 17,706,313</u>

For the year ended December 31, 2020, depreciation and amortization expense on the Memorial's depreciable assets totaled \$74,804.

NOTE 8 - BONDS PAYABLE AND DEBT ISSUANCE COSTS

In January 2016, the District of Columbia issued revenue bonds and lent the proceeds to the Memorial Fund through a loan agreement for the construction of the Museum. The original bonds consisted of the following:

Senior Revenue Bonds Series 2016A

\$ 5,675,000	7.00%	Term Bonds due July 1, 2031	Priced to Yield 7.25%
2,825,000	7.25%	Term Bonds due July 1, 2036	Priced to Yield 7.50%
39,630,000	7.75%	Term Bonds due July 1, 2049	Priced to Yield 8.00%

Senior Revenue Bonds Series 2016B

\$22,935,000	5.75%	Term Bonds due July 1, 2025	Priced to Yield 5.75%
7,065,000	6.375%	Term Bonds due July 1, 2027	Priced to Yield 6.375%

Senior Revenue Bonds Series 2016C

\$ 25,000,000	10.00%	Term Bonds due July 1, 2049	Priced to Yield 10.00%
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NOTE 8 - BONDS PAYABLE AND DEBT ISSUANCE COSTS (Continued)

The collateral securing the loan includes all existing and future assets, receipts and revenues of the Memorial Fund. Amounts excluded from collateral include restricted gifts, grants, endowment funds and funds designated for Memorial Maintenance. Additional collateral and exclusions are specified in the loan agreement.

The Series A Bonds have a coupon rate ranging from 7.25% to 8.00% per annum. Interest on the Series A Bonds is payable semi-annually on January 1 and July 1 of each year beginning July 1, 2016. Principal maturities on the Series A Bonds are to be payable annually commencing on July 1, 2031 with a final maturity of July 1, 2049. During the year ended December 31, 2020, there was no interest paid to bondholders of the Series A Bonds.

The Series B Bonds have a coupon rate ranging from 5.75% to 6.375% per annum. Interest on the Series B Bonds is payable semi-annually on January 1 and July 1 of each year beginning July 1, 2016. The Series B Bonds are subject to redemption, in an amount equal to Capital Campaign Receipts deposited into certain trust accounts as defined by the bond agreement; provided that any such redemption must be, by lot, in an authorized denomination. Such redemptions are required on each January 1, April 1, July 1, and October 1, beginning April 1, 2016 until the Series B maturity date of July 1, 2027. Based on the requirements of the bond agreement, \$1,355,000 of Series B Bonds were redeemed during the year ended December 31, 2018. Expected redemptions of Series B Bonds is not reasonably estimable and the remaining balance due has been presented at their maturity dates of July 1, 2025 and July 1, 2027. During the year ended December 31, 2020, there was no interest paid to bondholders of the Series B Bonds.

The Series C Bonds have a coupon rate of 10.00% per annum. Interest on the Series C Bonds is payable semi-annually on January 1 and July 1 of each year beginning July 1, 2016. Principal maturities on the Series C Bonds are payable in various increments from July 1, 2025 through on July 1, 2049. During the year ended December 31, 2020, there was no interest paid to bondholders of the Series C Bonds.

As part of the loan agreement, the Memorial Fund has access to draw-down Corporate Subordinate Bonds, The National Law Enforcement Officers Memorial Fund, Inc. Subordinate Taxable Bonds, Series 2016, (the "Corporate Subordinate Bonds") through an indenture of trust bearing interest at 10% per annum. Draw downs on the Corporate Subordinate Bonds must be used to redeem outstanding Series C Bonds.

The Corporate Subordinate Bonds have a coupon rate of 10.00% per annum. Interest on the Corporate Subordinate Bonds is payable semi-annually on January 1 and July 1 of each year beginning July 1, 2017. The Corporate Subordinate Bonds are subject to mandatory sinking fund redemption, in part, at the redemption price on July 1 of each year commencing in 2025 through 2049. During the year ended December 31, 2020, there was no interest paid to bondholders of the Corporate Subordinate Bonds.

The Fund has the option to redeem Series A Bonds in whole, or in part at any time, on and after July 1, 2021. The Fund has the option to redeem Series B and Series C Bonds in whole, or in part at any time.

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NOTE 8 - BONDS PAYABLE AND DEBT ISSUANCE COSTS (Continued)

The bond agreement requires the establishment of certain restricted accounts which are reported on the accompanying consolidated statement of financial position as assets limited as to use (see Note 2).

Commencing January 1, 2020, the Memorial Fund is required to maintain a Renewal and Replacement Reserve Fund and make monthly installments in the amount of \$9,167 until the Renewal and Replacement Reserve Fund totals \$2,000,000.

During 2020, the Memorial Fund failed to make its required interest payments on its Corporate Subordinate Bonds. Since this is subordinate debt, the bondholders have limited recourse as of December 31, 2020.

At December 31, 2020, bond debt and bond debt issuance costs are as follows:

Series 2016A	\$ 48,130,000
Series 2016B	27,675,000
Series 2016C	100,000
Corporate Bonds	<u>24,900,000</u>
	100,805,000
Less, unamortized debt issuance costs	<u>(6,423,935)</u>
Total long-term bonds payable	<u>\$ 94,381,065</u>

Future maturities of the bond debt principal are as follows for the years ending December 31:

2021	\$ -
2022	-
2023	-
2024	-
2025	21,265,000
Thereafter	<u>79,540,000</u>
Total	<u>\$ 100,805,000</u>

Debt Covenants

Per the terms of the loan agreement with the District of Columbia, the Memorial Fund is subject to a liquidity requirement at December 31, 2020 of no less than 150 days cash on hand. The Memorial Fund's liquidity requirement of days cash on hand at December 31, 2020, calculated per Section 7.14 of the loan agreement, resulted in 325 days.

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NOTE 8 - BONDS PAYABLE AND DEBT ISSUANCE COSTS (Continued)

Debt Covenants (Continued)

Per the terms of the loan agreement with the District of Columbia, the Memorial Fund is required to maintain a minimum debt service coverage ratio of 1.0 at December 31, 2020. The Memorial Fund did not meet the minimum debt service coverage ratio and is required to hire a management consultant to meet the minimum ratio within 30 days after the year end.

On February 15, 2021, the Memorial Fund submitted a Compliance Certificate to the trustee, underwriter, and District of Columbia indicating that it is in compliance with its covenants, agreements and obligations as of the aforementioned date, with the exception of the following sections of the loan agreement: Section 7.11 Admission Targets and Reports, Section 7.12 Cumulative Capital Campaign Pledges Received Covenant, Section 7.14 Liquidity Requirement and Section 7.15 Consultant.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

The activities of the net assets with donor restrictions during the year ended December 31, 2020 are as follows:

	Balance January 1, 2020	Additions	Releases	Balance December 31, 2020
Purpose and Time Restricted:				
Museum	\$ 2,131,962	\$ 338,364	\$ (1,616,414)	\$ 853,912
Memorial	1,350,000	910,000	(2,260,000)	-
In-Kind	1,555,047	-	(2,880)	1,552,167
Purpose Restricted:				
Memorial Maintenance – Department of Interior	<u>2,978,052</u>	<u>257,907</u>	<u>-</u>	<u>3,235,959</u>
	<u>\$ 8,015,061</u>	<u>\$ 1,506,271</u>	<u>\$ 3,879,294</u>	<u>\$ 5,642,038</u>

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NOTE 10 - BOARD DESIGNATED ENDOWMENT FUND

General

The Board designated Memorial Maintenance Endowment Fund (the "Endowment Fund") was established to maintain the Memorial.

Changes in the Endowment Fund net assets for the year ended December 31, 2020 were as follows:

Endowment Fund net assets, beginning of year	<u>\$ 3,021,465</u>
Investment return:	
Interest and dividends	68,944
Realized and unrealized gains	290,610
Investment fees	<u>(29,814)</u>
Total investment return	<u>329,740</u>
Board approved additions	935,126
Appropriation of endowment for expenditure	<u>(115,114)</u>
Endowment Fund net assets, end of year	<u>\$ 4,171,217</u>

Return Objectives and Risk Parameters

The Endowments Fund's objective is to earn a respectable, long-term, risk-adjusted total rate of return to support the designated programs. The Memorial Fund recognizes and accepts that pursuing a respectable rate of return involves risk and potential volatility. The generation of current income will be a secondary consideration. The Endowment Fund targets a diversified asset allocation that places a greater emphasis on equity securities investments to achieve its long-term return objectives within prudent risk constraints. The Memorial Fund has established a policy portfolio or normal asset allocation.

While the policy portfolio can be adjusted from time to time, it is designed to serve for long-term horizons based upon long-term expected returns. The asset allocations of the investments are designed to have a moderate risk. The primary investment objective is to balance current income and growth and achieve returns of 3% above the inflation rate. The Endowment Fund has a preference for simple investment structures that will have lower cost, easier oversight, and less complexity for internal financial management and auditing.

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NOTE 10 - BOARD DESIGNATED ENDOWMENT FUND (Continued)

Spending Policy and Related Objectives

The Memorial Fund will appropriate for expenditure in its annual budget a maximum of 100% of the earnings. The Memorial Fund appropriates in its annual budget approximately 4% of the average market value of the endowment assets. There may be times when the Memorial Fund may opt not to take the maximum spending rate, but to rather reinvest some of the annual return. At times, the Memorial Fund may spend funds from the principal of the board designated endowment funds for Memorial Maintenance.

NOTE 11 - PAYCHECK PROTECTION PROGRAM (PPP) LOAN

The Memorial Fund received a loan for \$914,755 on June 29, 2020 from a local bank under the Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses and nonprofit organizations. The loan bears interest at 1% and matures in two years; however, monthly payments are deferred for ten months after the covered period. The loans are uncollateralized and are fully guaranteed by the Federal Government. The Memorial Fund initially recorded the loans as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions under *FASB ASC 958-605*; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The terms of the refundable advance require that the Memorial Fund meet certain conditions regarding an economic need for the advance as well as incurring qualifying expenses such as payroll costs, benefits, rent and utilities during a 24-week period. All or a portion of the refundable advance may be recognized as a contribution upon meeting the conditions and the incurrence of allowable expenses. For the year ended December 31, 2020, the Memorial Fund has recognized \$914,755 of the refundable advance as government grant revenue since the conditions were met.

No assurance is provided that the Memorial Fund will obtain forgiveness of the refundable advance in whole or in part. The forgiveness applications have been submitted subsequent to December 31, 2020 and both the originating banks and the SBA must review and approve the applications. Should any portion of the original amount of the refundable advance be determined to be repayable by the SBA, the Memorial Fund will record the amount of the refundable advance to be repaid as a loan. There is no prepayment penalty.

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NOTE 12 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the consolidated statement of financial position, less amounts not available due to contractual or donor-imposed restrictions, or board designations, were as follows:

Financial Assets:

Cash	\$ 5,425,873
Investments	9,863,311
Accounts receivables	29,000
Contributions and grants receivable, excluding in-kind	<u>901,761</u>
 Total financial assets	 <u>16,219,945</u>

Less: Contractual or restricted amounts

Restricted by donor with time or purpose restrictions	(5,642,038)
Interest payable on bonds	(13,386,786)
Board designated Endowment Fund	<u>(4,171,217)</u>

Financial assets (deficit) available to meet general

Expenditures over the next twelve months	<u>\$ (6,980,096)</u>
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As part of the Organization's liquidity management strategy, the Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization's working capital and cash flows have cyclical variations during the year attributable to the cash receipts of donations without donor restrictions.

The Memorial Fund is subject to contractual obligations as the result of its loan agreement with the District of Columbia (see Note 8). Debt service reserves are restricted for interest and principal payments on Series A and B bonds if the liquidity support funds are insufficient. Amounts withdrawn from debt service reserves are required to be repaid in twelve equal installments on the last day of each month following the withdrawal. Any additional amounts withdrawn from debt service reserves prior to full restoration, must also be repaid within the original twelve-month period.

The contractual obligation for bond interest represents the interest payments payable to bondholders on January 1, 2020 and July 1, 2020, plus previous interest due and not paid.

The Endowment Fund is designated for use towards maintenance of the Memorial (see Note 10). The Organization does not intend to spend from the Endowment Fund, other than amounts appropriated for general expenditure as part of the annual budget approval and appropriation, however additional amounts could be made available with Board approval.

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NOTE 13 - COMMITMENTS AND CONTINGENCIES

Direct Mail Contract

The Memorial Fund participates in a contract with an outside third party, expiring on December 31, 2022, to distribute substantially all of the Memorial Fund's educational materials to the public, which describes the purpose of the Memorial Fund and how the general public can participate in honoring the law enforcement community. The educational mailings also provide space for a fundraising appeal. All work is performed on a "time-and-materials" basis.

Grants

The Memorial Fund participates in federally-assisted grant programs, which may be subject to financial and compliance audits by the federal agency or their representatives. As such, there exists a contingent liability for potential questioned costs that may result from such audits. Management does not anticipate any significant adjustments as a result of such audits. For the year ended December 31, 2020, no financial and compliance audit was required.

Employment Contracts

The Memorial Fund has an employment agreement with the Chief Executive Officer (the CEO), which expires on August 11, 2022.

The Memorial Fund has an employment agreement with the Executive Director of the Memorial, which expires on August 1, 2024.

NOTE 14 - EMPLOYEE RETIREMENT PLAN

The Memorial Fund has a Section 403(b) tax-deferred annuity plan (the "Plan") for all eligible employees. Employees who are 21 years of age and scheduled to work at least 1,000 hours per year can enter and contribute to the Plan. The Plan participants are 100 percent vested immediately after entering the Plan. Employees are eligible for employer contributions immediately after the commencement of the employment and are 100 percent vested after completing two full years of service. The Plan will match up to a maximum of 4% of gross salary and may provide an additional discretionary contribution up to 6% of each participant's annual compensation. The Memorial Fund made total contributions of \$70,065 to the Plan on behalf of its employees for the year ended December 31, 2020 and \$108 was accrued at year end.

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NOTE 15 - MANAGEMENT PLAN TO IMPROVE RESULTS OF OPERATIONS

In 2020, the Organization incurred higher costs resulting in an operating loss of approximately \$6 million before depreciation and amortization and bad debt expense. The Organization has been unable to generate sufficient cash flow from sources to meet the requirements of its operating expenses and debt payment obligations.

To address the deficiency and to stabilize and sustain its capital structure, management plans to use the existing arrangements to restructure the debt.

Staffing and resource enhancements focused on revenue generating departments, such as sales and development, have been implemented. The Organization will also focus on effectively leveraging its market presence, reputation, stakeholder base, and other resources including the Memorial and the Museum, to grow revenues and generate positive and sustainable cash flows.

NOTE 16 - IMPACT OF COVID-19 PANDEMIC

Towards the end of December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. In 2020, the World Health Organization declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures of non-essential businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries.

During 2020, the Organization temporarily closed the Museum. The Memorial has remained open. The Organization continues operations through remote access, telework, and staggering employees when needed onsite. In accordance with guidelines regarding group social gatherings, the Organization has cancelled fundraising and certain program events or changed them to a virtual format.

It is unknown how long these conditions will last and what the complete financial effect will be to the Organization. Although it is not possible to reliably estimate the length of severity of this outbreak and hence its financial impact, any significant reduction in revenue caused by COVID-19 could result in a reduction in programs and other material financial effects.

NOTE 17 - SUBSEQUENT EVENTS

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through the date that the consolidated financial statements were available to be issued, which is June 7, 2021.

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NOTE 17 - SUBSEQUENT EVENTS (Continued)

The Memorial Fund's management is in the process of finalizing a 3-year business plan which will be submitted to the trustee and bondholders. In addition, the Memorial Fund will seek to develop an agreement for forbearance of action and remedies that the bondholders would be entitled to pursue based on the Memorial Fund's efforts to rectify its operating and financial challenges.

On February 8, 2021, the Organization qualified for and received the second PPP loan for an aggregate principal amount of approximately \$914,755. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first ten months of interest deferred, has a term of five years, and is unsecured and guaranteed by the U.S. Small Business Administration.

In the first quarter of 2021, the Organization received a pledge contribution of \$1.5 million from the Police Unity Tour.

The Organization plans to reopen the Museum on August 27, 2021.