

MARINE CORPS – LAW ENFORCEMENT FOUNDATION, INC.



**Financial Statements
(Together with Independent Auditors' Report)**

Years Ended December 31, 2022 and 2021



MARINE CORPS – LAW ENFORCEMENT FOUNDATION, INC.

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

YEARS ENDED DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Marine Corps – Law Enforcement Foundation, Inc.
Tuckahoe, NY

Opinion

We have audited the financial statements of Marine Corps – Law Enforcement Foundation, Inc. (the “Foundation”), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and change in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, and the related statements of activities and change in net assets, functional expenses and 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 (“GAAS”). Our responsibilities under those standards are further described in the *Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Foundation, 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Foundation changed its method of accounting for leases as a result of the adoption of Accounting Standards Codification Topic 842, *Leases*, effective January 1, 2022, under the modified retrospective transition method. 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 the Foundation’s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' 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 auditors' 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 GAAS 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 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 Foundation'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 the Foundation'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 audits.

Mayer Hoffman McCann P.C.

Philadelphia, Pennsylvania
November 14, 2023

MARINE CORPS - LAW ENFORCEMENT FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31,

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,709,465	\$ 975,927
Promises to give receivable	97,300	222,808
Investments	17,932,908	19,840,700
Prepaid expenses and other assets	67,925	251,212
Digital assets (Market value of \$581,236 at December 31, 2022 and \$1,729,655 at December 31, 2021)	124,722	189,446
TOTAL CURRENT ASSETS	20,932,320	21,480,093
OTHER ASSETS		
Operating lease right-of-use asset	13,336	-
Security deposit	750	750
TOTAL OTHER ASSETS	14,086	750
TOTAL ASSETS	\$ 20,946,406	\$ 21,480,843
LIABILITIES		
CURRENT LIABILITIES		
Accrued expenses	\$ 6,415	\$ 4,632
Refundable advances	33,000	827,154
Current portion of operating lease liability	10,723	-
TOTAL CURRENT LIABILITIES	50,138	831,786
LONG-TERM LIABILITIES		
Noncurrent portion of operating lease liability	2,696	-
TOTAL LONG-TERM LIABILITIES	2,696	-
TOTAL LIABILITIES	52,834	831,786
NET ASSETS		
Without donor restrictions	20,893,572	20,649,057
TOTAL NET ASSETS	20,893,572	20,649,057
TOTAL LIABILITIES AND NET ASSETS	\$ 20,946,406	\$ 21,480,843

The accompanying notes are an integral part of these financial statements.

**MARINE CORPS - LAW ENFORCEMENT FOUNDATION, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED DECEMBER 31,**

	2022	2021
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
REVENUE AND SUPPORT:		
Contributions	\$ 2,209,329	\$ 3,347,948
In-kind contributions	1,114,687	785,024
Special events (net of direct benefit costs of \$726,322 in 2022 and \$435,431 in 2021)	2,918,030	1,516,782
Investment (loss) income, net	(2,090,075)	3,360,687
Impairment loss on digital assets	(64,724)	(19,641)
Realized gain on disposition of digital assets	-	115,281
TOTAL REVENUE AND SUPPORT	4,087,247	9,106,081
OPERATING EXPENSES:		
Program services:		
Grants and scholarships	3,437,446	4,207,457
Supporting services:		
Management and general	132,894	131,929
Other fundraising	272,392	103,652
TOTAL OPERATING EXPENSES	3,842,732	4,443,038
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	244,515	4,663,043
NET ASSETS, BEGINNING	20,649,057	15,986,014
NET ASSETS, ENDING	\$ 20,893,572	\$ 20,649,057

The accompanying notes are an integral part of these financial statements.

MARINE CORPS - LAW ENFORCEMENT FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2022 AND 2021

Year Ended December 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Direct Benefit to Donors</u>	<u>Other Fundraising</u>	<u>Total</u>
Scholarships	\$ 3,195,873	\$ -	\$ -	\$ -	\$ 3,195,873
Humanitarian Aid	22,048	-	-	-	22,048
Contributions	5,000	-	-	-	5,000
Medical Aid	117,696	-	-	-	117,696
General & Administrative	5,025	23,239	-	3,140	31,404
Lease Expenses	5,367	5,366	-	-	10,733
Office Expenses	2,772	2,771	-	-	5,543
Salaries	51,200	51,200	-	-	102,400
Printing & Reproduction	-	10,524	-	-	10,524
Professional Fees	23,207	29,537	-	-	52,744
Postage & Delivery	-	999	-	8,084	9,083
Information Technology	3,666	3,666	-	-	7,332
Meeting & Conferences	-	-	-	-	-
Payroll Tax Expense	5,592	5,592	-	-	11,184
Other Operating Expenses	-	-	-	15,486	15,486
Venue	-	-	599,159	-	599,159
Audio/Visual	-	-	1,525	-	1,525
Professional Services	-	-	-	108,480	108,480
Printing & Postage	-	-	-	54,556	54,556
Awards	-	-	-	11,555	11,555
Travel	-	-	-	57,962	57,962
Giveaways	-	-	125,638	-	125,638
Décor	-	-	-	13,129	13,129
Miscellaneous	-	-	-	-	-
Other Fundraising Expenses	-	-	-	-	-
Total Functional Expenses	<u>3,437,446</u>	<u>132,894</u>	<u>726,322</u>	<u>272,392</u>	<u>4,569,054</u>
Less: direct benefits to donors recorded on statement of activities	<u>-</u>	<u>-</u>	<u>(726,322)</u>	<u>-</u>	<u>(726,322)</u>
Total	<u>\$ 3,437,446</u>	<u>\$ 132,894</u>	<u>\$ -</u>	<u>\$ 272,392</u>	<u>\$ 3,842,732</u>

Year Ended December 31, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Direct Benefit to Donors</u>	<u>Other Fundraising</u>	<u>Total</u>
Scholarships	\$ 3,894,684	\$ -	\$ -	\$ -	\$ 3,894,684
Humanitarian Aid	86,814	-	-	-	86,814
Medical Aid	135,694	-	-	-	135,694
General & Administrative	8,654	39,207	-	5,183	53,044
Lease Expenses	5,100	5,100	-	-	10,200
Office Expenses	2,935	2,934	-	-	5,869
Salaries	47,584	47,583	-	-	95,167
Professional Fees	18,040	22,960	-	-	41,000
Postage & Delivery	-	353	-	2,859	3,212
Information Technology	3,554	3,555	-	-	7,109
Meeting & Conferences	-	5,539	-	1,135	6,674
Payroll Tax Expense	4,398	4,398	-	-	8,796
Other Fundraising Expenses	-	-	-	7,884	7,884
Venue	-	-	364,157	-	364,157
Audio/Visual	-	-	2,472	-	2,472
Professional Services	-	-	-	1,083	1,083
Printing & Postage	-	-	-	19,526	19,526
Awards	-	-	-	3,256	3,256
Travel	-	-	-	22,644	22,644
Giveaways	-	-	68,802	-	68,802
Décor	-	-	-	2,482	2,482
Miscellaneous	-	300	-	37,600	37,900
Total Functional Expenses	<u>4,207,457</u>	<u>131,929</u>	<u>435,431</u>	<u>103,652</u>	<u>4,878,469</u>
Less: direct benefits to donors recorded on statement of activities	<u>-</u>	<u>-</u>	<u>(435,431)</u>	<u>-</u>	<u>(435,431)</u>
Total	<u>\$ 4,207,457</u>	<u>\$ 131,929</u>	<u>\$ -</u>	<u>\$ 103,652</u>	<u>\$ 4,443,038</u>

The accompanying notes are an integral part of these financial statements.

MARINE CORPS - LAW ENFORCEMENT FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 244,515	\$ 4,663,043
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Non-cash lease expense	10,578	-
Realized and unrealized loss (gain) on investments	2,300,278	(3,089,322)
Donated investments	(1,114,687)	(785,024)
Impairment loss on digital assets	64,724	19,641
Realized gain on disposition of digital assets	-	(115,281)
Changes in operating assets and liabilities:		
Promises to give receivable	125,508	(196,370)
Prepaid expenses and other assets	183,287	(3,910)
Accrued expenses	1,783	955
Refundable advances	(794,154)	(99,751)
Operating lease liability	(10,495)	-
Total Adjustments to Net Assets	766,822	(4,269,062)
Net Cash Provided by Operating Activities	1,011,337	393,981
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	17,264,551	4,885,123
Purchase of investments	(16,542,350)	(5,616,049)
Purchase of digital assets	-	(100,000)
Sale of digital assets	-	133,150
Net Cash Provided by (Used in) Investing Activities	722,201	(697,776)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,733,538	(303,795)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	975,927	1,279,722
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,709,465	\$ 975,927
Supplemental disclosure of cash flow information		
Cash paid for the amounts included in the measurement of the lease liability		
Operating cash flows from operating lease	\$ 10,650	

The accompanying notes are an integral part of these financial statements.

MARINE CORPS – LAW ENFORCEMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 – FOUNDATION AND NATURE OF ACTIVITIES

Marine Corps - Law Enforcement Foundation, Inc. (the “Foundation”) is a voluntary health and welfare organization incorporated in the State of New Jersey on February 16, 1996 pursuant to the provisions of Title 15A of the New Jersey Non-Profit Act. The Foundation’s revenues and support are derived from special events and contributions from the general public.

The Foundation was organized to provide scholarships and humanitarian aid to the children of active, reserve and former United States Marines, as well as children of persons associated with federal, state or local law enforcement, particularly those killed or injured in the line of duty. It is not a membership organization and no compensation is paid to its trustees, officers, directors or other private persons.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). This basis of accounting includes the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, revenues, and expenses as well as the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates.

Basis of Presentation – Net Assets

The Foundation’s financial statements are presented in accordance with Financial Accounting Standards Board (“FASB”) guidance on reporting information regarding its financial position and activities for not-for-profit organizations. Under that guidance, the Foundation is required to report information regarding its net assets and revenues, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

- Without donor restrictions – Net assets that are not subject to donor-imposed stipulations, including board designated funds functioning as endowment.
- With donor restrictions – Net assets subject to donor-imposed stipulations, including stipulations that will be met either by actions of the Foundation or the passage of time, stipulations that they be maintained in perpetuity by the Foundation, and net assets from endowments not yet appropriated for spending. When time and purpose restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions. There were no net assets with donor restrictions as of December 31, 2022 and 2021.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled, the stipulated time period has elapsed, or endowment earnings are appropriated) are reported as net assets released from restrictions.

MARINE CORPS – LAW ENFORCEMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash equivalents include all cash balances and highly liquid debt instruments with a maturity of three months or less when acquired.

Investments And Fair Value Measurements

Investments with readily determinable fair values are measured at fair value in the accompanying statements of financial position. Unrealized gains and losses are recognized as changes in net assets in the period in which they occur, and investment income is recognized as revenue in the period earned. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 5.

Realized and unrealized gains and losses on investments are included in the statements of activities and change in net assets, net of direct investment expenses as net assets without restrictions unless the income or loss is restricted by donor or law.

Investments in marketable securities that were donated are recorded at fair value at the date of receipt.

The Foundation's investments include a variety of investment securities. The fair values reported in the statements of financial position are subject to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying statements of financial position could change materially in the near term.

Promise to Give

Unconditional promises to give cash and other assets to the Foundation are reported at fair value at the date the promise is received. Conditional contributions and promises to give, those with a measurable performance or other barrier and right of return, are not recognized as support until the conditions on which they depend are substantially met. All promises to give are anticipated to be collected within one year.

Allowance for Uncollectible Accounts

The Foundation evaluates the need for an allowance for uncollectible accounts based on a combination of factors such as management's assessment of the creditworthiness of its donors, a review of individual accounts outstanding, aged basis of the receivables, current economic conditions and historical experience. No allowance for doubtful accounts was considered necessary at December 31, 2022 and 2021.

Digital Assets

Digital assets represents cryptocurrencies held by the Foundation. Cryptocurrencies are accounted for as intangible assets with indefinite useful lives and are initially measured at cost. Intangible assets with indefinite useful lives are not amortized, but assessed for impairment at each reporting period, or more frequently, when events or changes in circumstances occur indicating that it is more likely than not that the indefinite-lives asset is impaired. Impairment exists when the carrying amount exceeds its fair value, which is measured using the quoted prices of the cryptocurrencies at the time its fair value is being measured. As of December 31, 2022 and 2021, management determined that there was impairment of \$64,724 and \$19,641 of cryptocurrencies, respectively. Digital assets are stated at First In, First Out (FIFO).

MARINE CORPS – LAW ENFORCEMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

All contributions are recognized as support without donor restrictions unless their use is specifically restricted by the donor. When a donor restriction expires, the stipulated time restriction ends or the purpose of the restriction is accomplished, net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Amounts received that are designated for future periods or restricted by the donor for specific purposes are recognized as support with donor restrictions that increase those net asset classes.

Donated Services

The Foundation records donated services in the accompanying financial statements when such services require specialized skills, are susceptible to objective measurement or valuation and the services would normally have been paid for had they not been donated.

The Foundation receives a substantial amount of volunteer services in carrying out its fundraising programs and activities. However, no amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition. Contributed services are not recognized unless the donated services create or enhance non-financial assets or require specialized skills that would typically be purchased, if not donated.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities and change in net assets. 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.

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 occupancy, which is allocated on a square footage basis, as well as salaries and payroll taxes, which are based on time and effort within each functional area. Postage and delivery, meetings and conferences, and professional fees are based on expenses tracked by account across functions.

Income Taxes

An exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code was granted. The Foundation has been classified as a publicly supported organization described in Sections 509(c)(1) and 170(b)(1)(A)(VI) of the Internal Revenue Code and qualifies for the 50% charitable contribution deduction for individual donors.

The Foundation believes it has no uncertain tax positions as of December 31, 2022 and 2021 in accordance with FASB Accounting Standards Codification (“ASC”) Topic 740, *Income Taxes*, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

The Foundation has not incurred any expenses related to income tax penalties or interest charges. It is the management’s policy to charge these expenses to operations when assessed.

MARINE CORPS – LAW ENFORCEMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Pronouncement – Leases

In February 2016, the FASB issued guidance (ASC 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Foundation adopted the standard effective January 1, 2022 and recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption) using a modified retrospective approach, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

The Foundation elected the available practical expedients to account for the existing operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

The Foundation also elected two other available practical expedients. The Foundation elected to use a risk-free discount rate for the initial and subsequent measurement of the lease liability when the rate implicit in the lease is not readily available. The Foundation also elected to exclude leases that, at inception, have a lease term of 12 months or less from recognition on the statement of financial position. The related rent payments on these leases are expensed as incurred.

As a result of the adoption of the new lease accounting guidance, the Foundation recognized on January 1, 2022, a lease liability of \$23,914, which represents the present value of the remaining operating lease payments of \$24,150, discounted using a weighted-average risk-free rate of .91%, and an ROU asset of \$23,914.

The adoption of the new standard had a material impact on the Foundation's statement of financial position at December 31, 2022, but did not have an impact on the statement of activities and change in net assets nor the statement of cash flows for the year then ended. The most significant impact was the recognition of an ROU asset and lease liability for the operating lease.

The Foundation leases office space from a non-related party (see Note 10). The Foundation determines if an arrangement is a lease at inception. Operating leases are included in operating lease ROU assets or current portion of operating lease obligations, and long-term portion of operating lease obligations on the statement of financial position at December 31, 2022.

Recently Issued Accounting Pronouncements – Not Yet Adopted

In June 2016, the FASB issued 2016-13, Financial Instruments – Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments*, which adds a new Topic 326 to the ASC and removes the thresholds that companies apply to measure credit losses on financial instruments measured at amortized cost, such as loans, receivables, and held-to-maturity debt securities. Under current GAAP, entities generally recognize credit losses when it is probable that the loss has been incurred. The revised guidance will remove all recognition thresholds and will require entities to recognize an allowance for credit losses for the difference between the amortized cost basis of a financial instrument and the amount of amortized cost that the entity expects to collect over the instrument's contractual life. The new standard is effective for annual periods beginning after December 15, 2022. The Foundation is currently evaluating the impact Topic 326 will have on its financial statements.

MARINE CORPS – LAW ENFORCEMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassification

Certain reclassifications of the prior year amounts were made to conform to the current year presentation. These changes had no impact on the change in net assets for the year ended December 31, 2022.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL EXPENDITURES

The Foundation regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt and equity securities. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities, as well as services undertaken to support those activities, to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation anticipates collecting sufficient revenue through its annual gala event, delegation participation fees, and other contributions to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows, which identifies the sources and uses of the Foundation's cash and shows positive cash generated by operations for the years ended December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, the Foundation's financial assets available for general expenditure, and available to the Foundation over the next twelve months, without donor or other restrictions that limit their use, within one year of the statement of financial position date, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 2,709,465	\$ 975,927
Promises to Give Receivable	97,300	222,808
Investments	17,932,908	19,840,700
Digital Assets	<u>124,722</u>	<u>189,446</u>
	<u>\$ 20,864,395</u>	<u>\$ 21,228,881</u>

NOTE 4 – INVESTMENTS

The following table represents the carrying value of investments as of December 31:

	<u>2022</u>	<u>2021</u>
Treasury notes	\$ 6,469,515	\$ 1,899,812
Mutual funds	11,463,393	17,940,888
Total investments	<u>\$ 17,932,908</u>	<u>\$ 19,840,700</u>

Investment (loss) income is comprised of the following for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 216,887	\$ 280,833
Realized and unrealized (loss) gain on investments	(2,300,278)	3,089,322
Investment fees	<u>(6,684)</u>	<u>(9,468)</u>
Investment (loss) income, net	<u>\$(2,090,075)</u>	<u>\$ 3,360,687</u>

MARINE CORPS – LAW ENFORCEMENT FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 5 – FAIR VALUE MEASUREMENTS

FASB guidance provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The levels of the fair value hierarchy under the ASC are described as follows:

Level 1 – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Inputs are adjusted quoted prices for similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3 – Inputs are significant unobservable inputs which reflect the reporting entity’s own estimates on assumptions market participants would use in pricing the asset or liability based on the best available information.

Any asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used to value the assets for periods presented in these financial statements.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Financial assets carried at fair value as of December 31, 2022 are classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ASSETS CARRIED AT FAIR VALUE				
Investments:				
Treasury notes	\$ 6,469,515	\$ -	\$ -	\$ 6,469,515
Mutual funds	11,463,393	-	-	11,463,393
	<u>\$ 17,932,908</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,932,908</u>

Financial assets carried at fair value as of December 31, 2021 are classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ASSETS CARRIED AT FAIR VALUE				
Investments:				
Treasury notes	\$ 1,899,812	\$ -	\$ -	\$ 1,899,812
Mutual funds	17,940,888	-	-	17,940,888
Total	<u>\$ 19,840,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,840,700</u>

The investment classes listed above are included in investments on the statements of financial position and reconcile to total investments at December 31, 2022 and 2021. The following is a description of the valuation methodologies used for assets measured at fair value.

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NOTE 5 – FAIR VALUE MEASUREMENTS (CONTINUED)

U.S. Government debt including mortgage-backed securities and marketable equity securities (“Treasury Notes”): Valued at the closing price reported on the active market on which the individual security is traded.

Mutual funds: Valued at the quoted market prices.

At December 31, 2022 and 2021, the Foundation did not have any assets whose fair value was measured using Level 2 or Level 3 inputs. There were no transfers between Level 1 and Level 2 during 2022 or 2021. In addition, transfers, if any, would be recognized at the end of the reporting period.

NOTE 6 – DIGITAL ASSETS

As of December 31, 2022, the Foundation’s digital assets held consisted of the following:

<u>Digital Assets</u>	<u>Units</u>	<u>Acquisition Cost</u>	<u>Reported Value</u>	<u>Market Value</u>
Bitwise	12,486		\$ 15,635	\$ 15,635
Bitcoin (BTC)	24.00		90,220	397,364
Ethereum (ETH)	140.04		18,867	168,237
		<u>\$ 350,000</u>	<u>\$ 124,722</u>	<u>\$ 581,236</u>

As of December 31, 2021, the Foundation’s digital assets held consisted of the following:

<u>Digital Assets</u>	<u>Units</u>	<u>Acquisition Cost</u>	<u>Reported Value</u>	<u>Market Value</u>
Bitwise	12,486		\$ 80,359	\$ 80,359
Bitcoin (BTC)	24.00		90,220	1,128,016
Ethereum (ETH)	140.04		18,867	521,280
		<u>\$ 350,000</u>	<u>\$ 189,446</u>	<u>\$ 1,729,655</u>

There was \$64,724 and \$19,641 of impairment loss on digital assets held for the years ended December 31, 2022 and 2021, respectively. The digital assets held had total market values of \$581,236 and \$1,729,655 as of December 31, 2022 and 2021, respectively.

NOTE 7 – REFUNDABLE ADVANCES

The Foundation had refundable advances of \$33,000 and \$827,154 as of December 31, 2022 and 2021, respectively. Refundable advances as of December 31, 2022 relate to events that will be held in 2023. Refundable advances as of December 31, 2021 relate to events that were postponed in 2020 and 2021 due to COVID and took place during 2022.

NOTE 8 – IN-KIND CONTRIBUTIONS

For the years ended December 31, 2022 and 2021, in-kind contributions without donor restriction recognized within the statements of activities and change in net assets represented donated investments in the amounts of \$1,114,687 and \$785,024, respectively.

The Foundation recognized the in-kind donations within revenue. The contributed investments were valued at market value upon receipt.

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NOTE 9 – SCHOLARSHIPS AND HUMANITARIAN AID

Cash grants were made to other organizations, which ran or sponsored youth-oriented programs that were sponsored by or had affiliations with the Marine Corps or law enforcement organizations. Humanitarian aid is provided by direct payments to the recipient or directly to the provider of the services rendered.

NOTE 10 – OPERATING LEASE

As disclosed in Note 2, the Foundation adopted FASB ASC 842. The Foundation’s operating lease was accounted for retrospectively at the beginning of the period of adoption (January 1, 2022) through a cumulative-effect adjustment. As a result, adopting FASB ASC 842 had no impact on the 2021 financial statements.

The Foundation leases office space under a non-cancelable operating lease agreement expiring March 2024. Only renewal options that the Foundation believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities. There are no renewal options that currently exist beyond March 2024. The lease term is used for the amortization/ depreciation life of lease assets unless there is a transfer of title or purchase option reasonably certain of exercise, in which case the asset life is used. As of December 31, 2022, the ROU asset recorded under the operating lease was \$13,336 and accumulated amortization associated with the operating lease was \$10,578.

Other information related to the operating lease was as follows at December 31, 2022:

Remaining Lease Term:	1.25 years
Discount Rate:	0.91%

Future minimum lease payments under the non-cancelable lease as of December 31, 2022 was as follows:

Years Ending December 31,	Operating Lease
2023	\$ 10,800
2024	2,700
Total minimum lease payments	13,500
Less: amount representing interest	81
Present value of lease liabilities	13,419
Less: current portion of lease liabilities	10,723
Long-term portion of lease liabilities	\$ 2,696

Lease expense was \$10,733 and \$10,200 for the years ended December 31, 2022 and 2021, respectively.

NOTE 11 – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Foundation to a concentration of credit risk include cash accounts with banks that may exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limit amount of \$250,000 per depositor, per insured financial institution.

The Foundation maintains a portion of its cash balances totaling approximately \$2,561,000 and \$151,000 at December 31, 2022 and 2021, respectively, at financial institutions that are not covered by the FDIC.

The Foundation had two events representing 66% of total revenue and support for the year ended December 31, 2022, and four events representing 24% of total revenue and support for the year ended December 31, 2021.

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NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events and transactions that occurred subsequent to the date of the statement of financial position through November 14, 2023, the date the financial statements were available to be issued.