

**LOS ANGELES POLICE
FOUNDATION**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

LOS ANGELES POLICE FOUNDATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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WE ARE AN INDEPENDENT MEMBER OF
THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

**AUDIT
AND
ASSURANCE**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Los Angeles Police Foundation

Opinion

We have audited the financial statements of Los Angeles Police Foundation (LAPF), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year 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 LAPF as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.

To the Board of Directors
Los Angeles Police Foundation

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LAPF'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 LAPF's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited LAPF's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 21, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

September 6, 2022
Los Angeles, California

LOS ANGELES POLICE FOUNDATION

STATEMENT OF FINANCIAL POSITION

December 31, 2021

With Summarized Totals at December 31, 2020

ASSETS	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Cash	\$ 212,415	\$ 4,323,994	\$ 4,536,409	\$ 3,726,694
Investments	6,924,684	-	6,924,684	6,423,233
Pledges Receivable (Net)	145,623	2,895,093	3,040,716	3,705,966
Prepaid Expenses and Other Assets	34,757	-	34,757	10,631
TOTAL ASSETS	\$ 7,317,479	\$ 7,219,087	\$ 14,536,566	\$ 13,866,524
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Grants Payable	\$ 4,847,112	\$ -	\$ 4,847,112	\$ 6,091,031
Accounts Payable and Accrued Liabilities	86,339	-	86,339	67,698
TOTAL LIABILITIES	4,933,451	-	4,933,451	6,158,729
NET ASSETS:				
Without Donor Restrictions	2,384,028	-	2,384,028	1,486,453
With Donor Restrictions	-	7,219,087	7,219,087	6,221,342
TOTAL NET ASSETS	2,384,028	7,219,087	9,603,115	7,707,795
TOTAL LIABILITIES AND NET ASSETS	\$ 7,317,479	\$ 7,219,087	\$ 14,536,566	\$ 13,866,524

The Accompanying Notes are an Integral Part of These Financial Statements

LOS ANGELES POLICE FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2021

With Summarized Totals for the Year Ended December 31, 2020

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUE AND SUPPORT:				
Contributions	\$ 2,092,445	\$ 2,357,123	\$ 4,449,568	\$ 5,829,801
In-Kind Contributions	544,985		544,985	827,022
Special Events (Net of \$353,424) of Costs of Direct Benefits to Donors)	730,534	-	730,534	566,382
Board Membership Dues	260,000	-	260,000	236,500
Contribution Revenue - PPP Loan	-	-	-	72,192
Miscellaneous Income (Net)	12,985	-	12,985	37,802
Investment Return (Net)	2,289	-	2,289	30,799
Net Assets Released from Donor Restrictions	1,359,378	(1,359,378)	-	-
TOTAL REVENUE AND SUPPORT	5,002,616	997,745	6,000,361	7,600,498
EXPENSES:				
Program Services	3,572,250	-	3,572,250	3,824,233
Management and General	254,834	-	254,834	284,168
Fundraising	277,957	-	277,957	312,508
TOTAL EXPENSES	4,105,041	-	4,105,041	4,420,909
CHANGE IN NET ASSETS	897,575	997,745	1,895,320	3,179,589
Net Assets - Beginning of Year	1,486,453	6,221,342	7,707,795	4,528,206
NET ASSETS - END OF YEAR	\$ 2,384,028	\$ 7,219,087	\$ 9,603,115	\$ 7,707,795

The Accompanying Notes are an Integral Part of These Financial Statements

LOS ANGELES POLICE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2021

With Summarized Totals for the Year Ended December 31, 2020

	2021				2020 Total
	Program	Supporting Services		Total	
	Services: LAPD Support	Management and General	Fundraising		
Salaries	\$ 124,380	\$ 42,866	\$ 180,901	\$ 348,147	\$ 359,855
Payroll Taxes	8,897	3,066	12,939	24,902	24,517
Employee Benefits	6,283	4,206	9,138	19,627	18,203
TOTAL PERSONNEL EXPENSE	139,560	50,138	202,978	392,676	402,575
Grants and Scholarships	2,848,353	-	-	2,848,353	3,610,222
Program Event Expense	541,163	-	-	541,163	40,779
Professional Services	-	165,506	-	165,506	186,757
Miscellaneous	14,108	29,173	32,704	75,985	124,931
Rent and Parking	17,863	6,156	25,981	50,000	45,000
Insurance	11,203	3,861	16,294	31,358	10,645
TOTAL 2021 FUNCTIONAL EXPENSES	<u>\$ 3,572,250</u>	<u>\$ 254,834</u>	<u>\$ 277,957</u>	<u>\$ 4,105,041</u>	
TOTAL 2020 FUNCTIONAL EXPENSES	<u>\$ 3,824,233</u>	<u>\$ 284,168</u>	<u>\$ 312,508</u>		<u>\$ 4,420,909</u>

The Accompanying Notes are an Integral Part of These Financial Statements

LOS ANGELES POLICE FOUNDATION

STATEMENT OF CASH FLOWS Year Ended December 31, 2021

With Summarized Totals for the Year Ended December 31, 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 1,895,320	\$ 3,179,589
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Realized and Unrealized (Gain) Loss on Investments	(391)	1,841
(Increase) Decrease in:		
Pledges Receivable	665,250	(1,887,237)
Prepaid Expenses and Other Assets	(24,126)	26,826
Increase (Decrease) in:		
Grants Payable	(1,243,919)	(225,499)
Accounts Payable and Accrued Liabilities	18,641	(85,420)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,310,775	1,010,100
CASH FLOWS FROM INVESTING ACTIVITIES:		
Reinvested Interest and Dividends	(4,688)	(34,904)
Purchase of Investments	(4,979,459)	(14,184,155)
Proceeds from Sales of Investments	4,483,087	9,879,906
NET CASH USED IN INVESTING ACTIVITIES	(501,060)	(4,339,153)
NET INCREASE (DECREASE) IN CASH	809,715	(3,329,053)
Cash - Beginning of Year	3,726,694	7,055,747
CASH - END OF YEAR	\$ 4,536,409	\$ 3,726,694

The Accompanying Notes are an Integral Part of These Financial Statements

LOS ANGELES POLICE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 - ORGANIZATION

Los Angeles Police Foundation (LAPF) was established in 1998 by a group of concerned community leaders to fund urgently needed programs and equipment for the Los Angeles Police Department (LAPD).

The mission of LAPF is to create partnerships to provide resources and programs that help the police perform at their highest level and to enhance LAPD-community relations.

LAPF is an independent, not-for-profit organization that provides critical resources and vital support to the LAPD. From essential equipment and state-of-the-art technology to specialized training and innovative programs that would otherwise be unfunded, the support provided by LAPF directly improves public safety, impacts officer readiness, and enhances our quality of life. As the largest source of private funding of the LAPD, LAPF is passionately dedicated to ensuring that Los Angeles remains America's safest major city.

The LAPD covers an area spanning 467 square miles with 21 diverse communities and nearly 4 million residents. Their oath to "protect and serve" is getting tougher, more complex and more dangerous, and as a result, more expensive. Modern policing requires a high level of sophistication in officer training and safety, equipment, communications, technology and community outreach.

With 96% of the LAPD's budget spent on personnel, there is little left for major projects that will enhance efficiency and modernization of the department.

Over the years, the requests for grants have grown to more than 100 received each year. LAPF has donated nearly \$46,000,000 to the LAPD in the areas of equipment and technology upgrades, specialized training, community outreach, and youth programs.

LAPF is needed more than ever in order to allow the LAPD to move beyond the constraints of municipal funding and truly excel.

LOS ANGELES POLICE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) NET ASSETS

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor-imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for various reserves.
- **Net Assets With Donor Restrictions.** Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

(c) CASH

LAPF maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. LAPF has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

(d) INVESTMENTS

Investments in equity and debt securities with readily determinable market values are reported at fair value. The fair value of investments is valued at the closing price on the last business day of the fiscal year. Securities are generally held in custodial investment accounts administered by financial institutions. Investment purchases and sales are accounted for on a trade-date basis. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the ex-dividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Unrealized gains and losses are included in investment return in the statement of activities and represent the change in the difference between the cost and fair value of investments held at the end of the fiscal year.

LOS ANGELES POLICE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) CONTRIBUTIONS AND PLEDGES RECEIVABLE

Contributions, including endowment gifts and pledges, as well as unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return or release - are not included as revenue until the conditions on which they depend have been met.

At December 31, 2021, LAPF had no conditional pledges receivable.

Discounts for pledges (pledges due over one year) are recorded as reductions to contribution revenue and pledges receivable. Discounts increase contribution revenue when the pledge is received.

Special event contributions are generally reported as increases in net assets without donor restrictions. However, if the circumstances surrounding the receipt of such contributions make clear the respective donor's implicit restriction on use, such amounts are classified as increases in net assets with donor restrictions.

(f) IN-KIND CONTRIBUTIONS

Contributions of donated noncash assets are recorded at fair value in the period received. Contributed services are reflected in the statement of activities at the fair value of the services received.

The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

For the year ended December 31, 2021, LAPF received the following in-kind contributions:

Rent and Parking	\$	50,000
Supplies and Other Goods		484,589
Professional Services		<u>10,396</u>
TOTAL IN-KIND CONTRIBUTIONS	\$	<u>544,985</u>

LOS ANGELES POLICE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) GRANTS

Unconditional grants are recognized in the period in which the grant is approved by the Board of Directors. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions. Payment of grants may not necessarily be made in the year of authorization. At December 31, 2021, grants payable totaled \$4,847,112 and are payable within one year. At December 31, 2021, LAPF had no conditional grants payable.

(h) TAX STATUS

LAPF is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

In accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification Topic No. 740, *Uncertainty in Income Taxes*, LAPF recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended December 31, 2021, LAPF performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which might have an effect on its tax-exempt status.

(i) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing LAPF's programs have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and supporting services by the method that best measures the relative degree of benefit. LAPF uses direct salary expenses and full time equivalents to allocate indirect and shared costs.

(j) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Accordingly, actual results could differ from those estimates.

LOS ANGELES POLICE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) RECLASSIFICATIONS

Certain December 31, 2020 balances have been reclassified to conform to the financial statement presentation used at December 31, 2021.

(l) COMPARATIVE TOTALS

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with LAPF's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

(m) NEW ACCOUNTING PRONOUNCEMENT

In September 2020, FASB issued Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU is intended to improve transparency in the reporting of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. The ASU will be effective for LAPF for the year ending December 31, 2022.

(n) SUBSEQUENT EVENTS

LAPF has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2021 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through September 6, 2022, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

LOS ANGELES POLICE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 3 - INVESTMENTS

LAPF has implemented the accounting standard which defines fair value for those assets (and liabilities) that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

The following table presents information about LAPF's investments that are measured at fair value on a recurring basis at December 31, 2021 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended December 31, 2021	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Deposits	\$ 3,731,967	\$ 3,731,967	\$ -	\$ -
Equities	4,972	4,972	-	-
Certificates of Deposit	3,187,745	-	3,187,745	-
	<u>\$ 6,924,684</u>	<u>\$ 3,736,939</u>	<u>\$ 3,187,745</u>	<u>\$ -</u>

The fair values of equities in level 1 are determined with reference to the closing price on the last day of the year.

The fair value of certificates of deposit in level 2 are estimated using the rates currently offered for deposits of similar remaining maturities.

LOS ANGELES POLICE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable (net) at December 31, 2021 are expected to be collected as follows:

Within One Year	\$ 1,748,288
In Two to Five Years	<u>1,424,000</u>
TOTAL	3,172,288
Less: Allowance for Doubtful Accounts	(50,000)
Less: Present Value Discount	<u>(81,572)</u>
PLEDGES RECEIVABLE (NET)	<u>\$ 3,040,716</u>

NOTE 5 - PENSION PLAN

LAPF has a SIMPLE-IRA pension plan which is an individual retirement account (IRA) plan available to all employees upon successful completion of two years of service. LAPF matches up to 3% of compensation not to exceed \$5,000 per employee. LAPF contributed \$5,485 for the year ended December 31, 2021.

NOTE 6 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consisted of the following at December 31, 2021:

Undesignated Net Assets	\$ 1,884,028
Board Designated Reserve Fund	<u>500,000</u>
TOTAL NET ASSETS	
WITHOUT DONOR RESTRICTIONS	<u>\$ 2,384,028</u>

The Board designated reserve fund was established by the board to set aside funds for special needs programs, capital development, facilities expansion and technology and systems support.

LOS ANGELES POLICE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31, 2021:

Capital Campaign	\$ 5,143,668
K-9 Support	510,499
LAPD Youth Programs	249,568
SWAT	154,639
Virtual Reality Equipment and Training	550,000
Other Programs	<u>610,713</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 7,219,087</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of events specified by the donors as follows for the year ended December 31, 2021:

Satisfaction of Program Restrictions:	
Capital Campaign	\$ 730,181
K-9 Support	51,532
LAPD Youth Programs	4,600
SWAT	43,209
Virtual Reality Equipment and Training	450,000
Other Programs	<u>79,856</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 1,359,378</u>

LOS ANGELES POLICE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 8 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by LAPF at December 31, 2021 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the statement of financial position are summarized in the following table:

Financial Assets at December 31, 2021	
Cash	\$ 212,415
Investments	6,924,684
Pledges Receivable (Net)	<u>145,623</u>
TOTAL FINANCIAL ASSETS AT DECEMBER 31, 2021	7,282,722
Less: Amounts Not Available to Be Used within One Year, Due to:	
Board Designated Reserve Fund	<u>(500,000)</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 6,782,722</u>

LAPF regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of LAPF's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Board has designated net assets without donor restrictions, totaling \$500,000, to the board designated reserve fund. These funds may be spent at the discretion of the Board for special needs programs, capital development, facilities expansion, and technology and systems support.