

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

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019



# **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  
Washington, DC

We have audited the accompanying consolidated financial statements of the National Law Enforcement Officers Memorial Fund, Inc. and Affiliate (collectively the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2019, 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, 2019, 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 and debt service payments of a loan agreement at December 31, 2019, primarily as a result of net losses during 2018 and 2019. 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.

## Change in Accounting Principle

As described in Note 2 to the consolidated financial statements, the Organization adopted provisions of the Financial Accounting Standards Board's Accounting Standards Update (ASU), ASU No. 2016-02, *Leases (Topic 842)*, and ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

*UHY LLP*

Columbia, Maryland  
December 7, 2020

**NATIONAL LAW ENFORCEMENT OFFICERS  
MEMORIAL FUND, INC. AND AFFILIATE  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
December 31, 2019**

**ASSETS**

Cash and cash equivalents	\$ 4,535,903
Investments	9,186,104
Contributions and grants receivable, net	5,066,141
Receivables	10,670
Other assets	599,394
Operating lease right-to-use asset	153,034
Building, property and equipment, net	122,374,342
Memorial, net	16,712,439
Assets limited to use	<u>1,660,227</u>
 Total assets	 <u><u>\$ 160,298,254</u></u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable and accrued expenses	\$ 2,465,813
Deferred revenue	1,627,118
Operating lease obligations	181,882
Interest payable	5,577,929
Bonds payable	<u>93,926,253</u>
 Total liabilities	 <u>103,778,995</u>

**NET ASSETS**

Without donor restrictions	
Undesignated	28,770,294
Designated for Memorial Maintenance	3,021,465
Memorial development costs	<u>16,712,439</u>
	<u>48,504,198</u>
With donor restrictions	<u>8,015,061</u>
 Total net assets	 <u>56,519,259</u>
 Total liabilities and net assets	 <u><u>\$ 160,298,254</u></u>

**NATIONAL LAW ENFORCEMENT OFFICERS  
MEMORIAL FUND, INC. AND AFFILIATE  
CONSOLIDATED STATEMENT OF ACTIVITIES  
For the year ended December 31, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue and Support</b>			
Contributions	\$ 12,966,765	\$ 2,555,000	\$ 15,521,765
In-kind contributions	34,628	34,560	69,188
Museum income	1,634,123	-	1,634,123
Grants	400,175	-	400,175
List rental	51,495	-	51,495
Net investment income	853,650	434,514	1,288,164
Special events and activities	4,071,883	-	4,071,883
Other	1,113	-	1,113
Net assets released from restrictions	1,433,796	(1,433,796)	-
	<u>21,447,628</u>	<u>1,590,278</u>	<u>23,037,906</u>
<b>Expenses</b>			
Program services:			
Public awareness	1,282,160	-	1,282,160
Societal materials	5,141,252	-	5,141,252
Memorial operations	2,762,650	-	2,762,650
Museum	13,827,189	-	13,827,189
Total program services	<u>23,013,251</u>	<u>-</u>	<u>23,013,251</u>
Supporting services:			
Fundraising	7,742,434	-	7,742,434
Management and general	1,264,213	-	1,264,213
Total supporting services	<u>32,019,898</u>	<u>-</u>	<u>32,019,898</u>
Total expenses	<u>32,019,898</u>	<u>-</u>	<u>32,019,898</u>
<b>Change in net assets, before non-operating activities</b>	<u>(10,572,270)</u>	<u>1,590,278</u>	<u>(8,981,992)</u>
Non-operating activities:			
Depreciation and amortization	4,928,037	-	4,928,037
Bad debt expense	42,500	-	42,500
Total non-operating activities	<u>4,970,537</u>	<u>-</u>	<u>4,970,537</u>
<b>Change in Net Assets</b>	<u>(15,542,807)</u>	<u>1,590,278</u>	<u>(13,952,529)</u>
<b>Net Assets, Beginning</b>	<u>64,047,005</u>	<u>6,424,783</u>	<u>70,471,788</u>
<b>Net Assets, Ending</b>	<u>\$ 48,504,198</u>	<u>\$ 8,015,061</u>	<u>\$ 56,519,259</u>

**NATIONAL LAW ENFORCEMENT OFFICERS  
MEMORIAL FUND, INC. AND AFFILIATE  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended December 31, 2019**

	Program Services				Supporting Services			Total Expenses	
	Public Awareness	Societal Materials	Memorial Operations	Museum	Total Program Services	Fundraising	Management and General		Total Supporting Services
Personnel costs:									
Salary	\$ 578,515	\$ 596,984	\$ 1,028,260	\$ 1,759,021	\$ 3,962,780	\$ 530,920	\$ 427,318	\$ 958,238	\$ 4,921,018
Employee benefits	72,467	74,780	128,803	220,341	496,391	66,505	53,528	120,033	616,424
Payroll taxes	41,263	42,581	73,342	125,465	282,651	37,869	30,479	68,348	350,999
Temporary help	2,381	2,457	4,232	7,240	16,310	2,185	1,760	3,945	20,255
Total personnel costs	694,626	716,802	1,234,637	2,112,067	4,758,132	637,479	513,085	1,150,564	5,908,696
Accounting and legal	24,172	24,944	42,964	73,498	165,578	22,184	17,854	40,038	205,616
Administrative	3,897	4,021	6,926	11,849	26,693	3,576	2,879	6,455	33,148
Bank charges	17,750	18,317	31,549	53,970	121,586	16,290	13,110	29,400	150,986
Caging	-	139,327	-	-	139,327	242,187	10,318	252,505	391,832
Computing services	79,184	165,348	140,743	240,767	626,042	218,052	64,684	282,736	908,778
Consulting	20,552	312,273	71,273	673,898	1,077,996	542,812	74,976	617,788	1,695,784
Delivery	329	957	584	1,000	2,870	1,376	289	1,665	4,535
Dollar bills and coins	42,294	43,645	75,174	128,599	289,712	38,815	31,241	70,056	359,768
Equipment rental	4,339	4,478	7,713	13,195	29,725	3,982	3,206	7,188	36,913
Exhibits and trade shows	588	51,622	23	38,458	90,691	-	-	-	90,691
Federal and state registrations	1,937	1,999	3,442	5,889	13,267	1,777	1,430	3,207	16,474
Grants, memorial	-	-	450,000	-	450,000	-	-	-	450,000
Insurance	22,542	23,262	40,067	68,541	154,412	20,688	16,650	37,338	191,750
Interest expense	-	-	-	8,269,749	8,269,749	-	-	-	8,269,749
Licenses and fees	74	77	132	226	509	68	56	124	633
List rental	-	150,230	-	-	150,230	261,139	11,126	272,265	422,495
Mailing services	-	1,671,740	-	-	1,671,740	2,905,928	123,808	3,029,736	4,701,476
Meals and entertainment	2,794	2,883	4,966	8,495	19,138	2,564	2,064	4,628	23,766
Media advertising	94,117	97,122	167,286	286,172	644,697	86,374	69,520	155,894	800,591
Miscellaneous	782	806	1,389	2,376	5,353	717	578	1,295	6,648
Office supplies	2,778	2,867	4,938	8,447	19,030	2,550	2,051	4,601	23,631
Photography	105	109	187	320	721	97	78	175	896
Postage	-	1,415,646	-	-	1,415,646	2,460,769	104,842	2,565,611	3,981,257
Printing and graphics	9,042	24,212	16,072	27,494	76,820	34,166	7,782	41,948	118,768
Promotional items	2,424	2,501	4,308	7,370	16,603	2,224	1,790	4,014	20,617
Public relations	7,352	7,586	13,067	22,354	50,359	6,747	5,430	12,177	62,536
Publications and dues	2,289	2,362	4,068	6,959	15,678	2,100	1,690	3,790	19,468
Rent	53,921	55,643	95,841	163,952	369,357	49,485	39,829	89,314	458,671
Repairs and maintenance	12,162	12,550	21,617	36,980	83,309	11,161	8,984	20,145	103,454
Security system	-	-	-	1,010,844	1,010,844	-	348	348	1,011,192
Seminars and training	7,403	7,639	13,158	22,509	50,709	6,794	5,467	12,261	62,970
Special events	67,149	69,293	119,351	204,172	459,965	61,625	49,599	111,224	571,189
Storage	310	320	551	942	2,123	284	229	513	2,636
Telephone	153	157	271	464	1,045	140	113	253	1,298
Travel and meetings	12,259	12,650	21,789	37,275	83,973	11,250	9,056	20,306	104,279
Utilities	94,836	97,864	168,564	288,358	649,622	87,034	70,051	157,085	806,707
Total expenses	\$ 1,282,160	\$ 5,141,252	\$ 2,762,650	\$ 13,827,189	\$ 23,013,251	\$ 7,742,434	\$ 1,264,213	\$ 9,006,647	\$ 32,019,898

**NATIONAL LAW ENFORCEMENT OFFICERS  
MEMORIAL FUND, INC. AND AFFILIATE  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the year ended December 31, 2019 and 2018**

**Cash Flows from Operating Activities**

Change in net assets	\$ (13,952,529)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	4,928,037
Amortization of debt issuance costs	454,813
In-kind donation of building, property and equipment	(69,188)
Bad debt expense	42,500
Realized gains on sales of investments	(152,121)
Unrealized gain on investments	(879,614)
Deferred rent	(203,612)
Net change in:	
Contributions and grants receivable, net	(1,667,962)
Receivables	7,029
Other assets	315,876
Operating lease right-to-use asset	(153,034)
Accounts payable and accrued expenses	(1,526,961)
Deferred compensation	(199,517)
Deferred revenue	1,619,499
Operating lease obligations	181,882
Interest payable	1,712,706
	<hr/>
Net cash used by operating activities	(9,542,196)

**Cash Flows from Investing Activities**

Purchases of investments	(1,692,934)
Proceeds from sale of investments	2,251,109
Purchases of property and equipment	(1,868,558)
Purchases of memorial development costs	(333,563)
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Net cash used by investing activities	(1,643,946)

**Cash Flows from Financing Activities**

Change in assets limited as to use	7,619,671
Issuance of bonds payable	400,000
Payment of bond principal	(400,000)
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Net cash provided by financing activities	7,619,671

**Net Decrease in Cash and Cash Equivalents**

(3,566,471)

**Cash and Cash Equivalents, Beginning**

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8,102,374

**Cash and Cash Equivalents, Ending**

\$ 4,535,903

**Supplemental disclosure of cash flow information:**

Cash paid during the year for interest	\$ 6,502,230
Interest earned on tax-exempt borrowing	76,994
Cash paid for operating lease liabilities	(437,441)

**NATIONAL LAW ENFORCEMENT OFFICERS MEMORIAL FUND, INC.  
AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended December 31, 2019**

**NOTE 1 - ORGANIZATION**

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

The Fund was incorporated on June 29, 1984, under the provisions of the District of Columbia Not-for-Profit Corporation Act. The Fund is dedicated to honoring and remembering the service and sacrifice of the law enforcement officers in the United States. The 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 Fund provides education and promotion of this Memorial to the general public.

In January 2016, the 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 Fund through a loan agreement (see Note 8). The Museum, constructed on federal land adjacent to the Memorial, opened upon completion of construction in October 2018. The Museum tells the story of American law enforcement through exhibits, collections, research and education. The 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.

**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 5-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, 2019**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**Leases**

The Organization has adopted ASU No. 2016-02, "*Leases (Topic 842)*" on January 1, 2019 using the additional transition method noted in ASU 2018-11. The adoption of the new standard resulted in recording a lease right-of-use asset and related lease liability as of December 31, 2019. The cumulative effect of initially applying the new guidance had an immaterial impact on the opening balance of net assets. The Organization does not expect the guidance to have a material impact on its activities in future periods as the lease was terminated in May 2020. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which provided for a reclassification of the leases to finance leases, among other things.

**Principles of Consolidation**

The consolidated financial statements include the accounts of the 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, 2019**

**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 \$1,000. 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, 2019**

**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, 2019.

**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. Interest income earned on such assets totaled \$102,800 in 2019. 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.  
AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2019**

**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, 2019, the debt issuance costs totaled \$8,457,310 and the accumulated amortization of the bond issuance costs totaled \$1,578,563. The unamortized debt issuance costs totaled \$6,878,747 as of December 31, 2019. For the year ended December 31, 2019, the amount expensed as interest totaled \$454,813.

**Capitalized Interest**

Interest costs incurred on borrowed funds during the period of construction of the Museum were capitalized as a component of Museum development costs. Thereafter, the costs are included in interest expense in the consolidated statement of functional expenses. As of December 31, 2018, \$7,866,819 of interest costs were capitalized for Museum development. There was no additional capitalized interest during 2019.

**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.

**NATIONAL LAW ENFORCEMENT OFFICERS MEMORIAL FUND, INC.  
AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended December 31, 2019**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Net Assets with Donor Restrictions (Continued)**

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.

**Merchandise Sales**

On-site sales are conducted at the Museum. Revenue and the related expenses were recognized at the time of sale or upon shipment of the merchandise.

**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.

**Contributions**

Revenue is recognized by the Organization when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Organization. Promises to contribute that are open-ended and subject to conditions by a potential donor are not recognized until the conditions imposed by the donor are satisfied.

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. Based on management's evaluation of the collection of promises, the allowance for doubtful promises was \$42,500 at December 31, 2019.

**NATIONAL LAW ENFORCEMENT OFFICERS MEMORIAL FUND, INC.  
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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**Revenue from Grants**

Revenue from grants is recorded as earned pursuant to the terms of the agreements.

**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.

*Societal Materials and Memorial Operations:* All expenses to further the Organization's purpose of honoring those people who have lost their lives in the line of duty during their service in the law enforcement profession, through educating the general population as to the officers' and their families' sacrifices for the local community and the nation as a whole.

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

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

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Functional Allocation of Expenses (Continued)**

*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, 2019, the Organization incurred joint costs of \$10,326,563 of which \$3,671,896 was allocated to societal materials expenses, \$271,938 to management and general, and \$6,382,729 to fundraising expenses.

**Advertising Costs**

Advertising costs are expensed as incurred and amounted to \$800,591 for the year ended December 31, 2019.

**Accounting for Uncertainty in Income Taxes**

The 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 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 Fund and TBLCBR have no tax liability for unrelated business income for the year ended December 31, 2019.

The Fund and TBLCBR recognize the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Fund and TBLCBR had no uncertain tax positions that would require financial statement recognition or disclosure. The Fund and TBLCBR are no longer subject to examination by the applicable taxing jurisdictions for years prior to 2016.

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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, 2019, approximately \$4,300,000 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, 2019, promises to give included amounts from two different donors of \$1,552,167 and \$1,350,000, or approximately 50% of outstanding promises to give. These promises are restricted for use in support of the Museum. The promises are due at various dates.

**NOTE 4 - PROMISES TO GIVE**

Promises to give with donor restrictions of \$5,066,141 are due as follows as of December 31, 2019:

Promises to give in less than one year	\$ 3,211,633
Promises to give in one to five years	<u>1,920,047</u>
	5,131,680
Allowance for doubtful promises to give	(42,500)
Discount to net present value	<u>(23,039)</u>
	<u>\$ 5,066,141</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 - FAIR VALUE MEASUREMENTS**

The following are major categories of assets and liabilities measured at fair value as of December 31, 2019 categorized by the fair value hierarchy for those assets measured at fair value:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Common stock	\$3,686,686	\$ -	\$ -	\$3,686,686
Mutual funds	2,566,383	-	-	2,566,383
Government and agency securities	-	425,607	-	425,607
Corporate bonds	-	977,279	-	977,279
Private equity fund (a)	-	-	419,097	419,097
Total Investments at Fair Value	<u>\$6,253,069</u>	<u>\$1,402,886</u>	<u>\$ 419,097</u>	\$8,075,052
Certificates of deposit, at cost				200,072
Money markets, at cost				<u>910,980</u>
Total Investments				<u>\$9,186,104</u>
Assets Limited as to Use:				
Money markets, at cost				<u>\$1,660,227</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. There are no unfunded commitments at December 31, 2019.

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**NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)**

Net investment income is comprised of the following:

	<u>2019</u>
Dividends and interest	\$ 323,114
Less investment fees	<u>(66,685)</u>
	<u>256,429</u>
Realized gains	152,121
Unrealized gains	<u>879,614</u>
	<u>1,031,735</u>
Net investment income	<u>\$ 1,288,164</u>

**NOTE 6 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of December 31, 2019:

Museum building and collections	\$ 122,343,308
Equipment and exhibits	6,765,677
Furniture and equipment	912,004
Leasehold improvements	665,976
Accumulated depreciation and amortization	<u>(8,312,623)</u>
	<u>\$ 122,374,342</u>

Depreciation expense on property and equipment totaled \$4,813,056 for the year ended December 31, 2019 and is included in depreciation and amortization expense in the consolidated statement of functional expenses.

**NOTE 7 - MEMORIAL**

Memorial consists of the following as of December 31, 2019:

Memorial	\$ 15,432,943
Re-engraving	1,182,243
Tree beds	287,426
Wall cleaning	292,752
Light replacement	94,745
Perimeter security	57,912
Accumulated depreciation and amortization	<u>(635,582)</u>
	<u>\$ 16,712,439</u>

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**NOTE 8 - BONDS PAYABLE AND DEBT ISSUANCE COSTS**

In January 2016, the District of Columbia issued revenue bonds and lent the proceeds to the 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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The collateral securing the loan includes all existing and future assets, receipts and revenues of the 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, 2019, interest paid to bondholders of the Series A Bonds amounted to \$3,673,291.

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, 2019, interest paid to bondholders of the Series B Bonds amounted to \$1,635,469.

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, 2019, interest paid to bondholders of the Series C Bonds amounted to \$18,809.

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

As part of the loan agreement, the 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. During the year ended December 31, 2019, \$400,000 was drawn on the Corporate Subordinate Bonds and used to repay 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, 2019, interest paid to bondholders of the Corporate Subordinate Bonds amounted to \$774,565.

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.

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 Fund is required to fund a Renewal and Replacement Reserve Fund by making monthly installments in the amount of \$9,167 until the Renewal and Replacement Reserve Fund totals \$2,000,000.

On March 26, 2019, the Fund submitted a Compliance Certificate to the trustee, underwriter, and District of Columbia indicating 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 and Section 7.15 Consultant. In addition, during 2019, the Fund failed to make a portion of its required interest payments on its Corporate Subordinate Bonds. Since this is subordinate debt, the bondholders have limited recourse as of December 31, 2019.

At December 31, 2019, 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
Unamortized debt issuance costs	<u>(6,878,747)</u>
Total long-term bonds payable	<u>\$ 93,926,253</u>

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

Future maturities are as follows for the years ending December 31:

2020	\$	-
2021		-
2022		-
2023		-
2024		-
Thereafter		<u>100,805,000</u>
Total	\$	<u>100,805,000</u>

**Covenants**

Per the terms of the loan agreement with the District of Columbia, the Fund is subject to a liquidity requirement at December 31, 2019 of no less than 120 days cash on hand. The Fund's liquidity requirement of days cash on hand at December 31, 2019, calculated per Section 7.14 of the loan agreement, resulted in 212 days.

Per the terms of the loan agreement with the District of Columbia, the Fund is required to maintain a minimum debt service coverage ratio of 1.0 at December 31, 2019. The 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.

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**NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions activity for the year ended December 31, 2019 are as follows:

	Balance Dec. 31, 2018	Additions	Releases	Balance Dec. 31, 2019
Time Restricted:				
Museum	\$ 1,515,837	\$ 1,405,000	\$ (588,875)	\$ 2,331,962
Memorial	-	1,150,000	-	1,150,000
Other promises to give	36,245	-	(36,245)	-
In-Kind	1,944,453	34,560	(423,966)	1,555,047
Purpose Restricted				
Memorial Maintenance - Department of Interior	<u>2,928,248</u>	<u>434,514</u>	<u>(384,710)</u>	<u>2,978,052</u>
	<u>\$ 6,424,783</u>	<u>\$ 3,024,074</u>	<u>\$ (1,433,796)</u>	<u>\$ 8,015,061</u>

**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 for the year ended December 31, 2019 were as follows:

Endowment net assets, beginning of year	<u>\$ 3,041,505</u>
Investment return:	
Interest and dividends	50,962
Realized and unrealized gain	<u>354,522</u>
Total investment return	<u>405,484</u>
Appropriation of endowment for expenditure	<u>(425,524)</u>
Endowment net assets, end of year	3,021,465
Non-endowed funds	<u>6,164,639</u>
Total Investments	<u>\$ 9,186,104</u>

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**NOTE 10 - BOARD DESIGNATED ENDOWMENT FUND (Continued)**

**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 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 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.

**Spending Policy and Related Objectives**

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

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**NOTE 11 - 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	\$ 4,535,903
Investments	9,186,104
Promises to give, excluding in-kind	3,511,094
Receivables	<u>10,670</u>
Total financial assets	<u>17,243,771</u>

Less: Contractual or donor-imposed restriction amounts

Restricted by donor with time or purpose restrictions	8,015,061
Interest payable on bonds	5,577,929
Board designated for Memorial Maintenance	<u>3,021,465</u>
	<u>16,614,455</u>

Financial assets available to meet general expenditures over the next twelve months

\$ 629,316

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 Organization's 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, 2019 and July 1, 2019, plus previous interest due and not paid.

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**NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)**

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.

**NOTE 12 - LEASES**

**Office Lease**

The Fund has an office space agreement which began on April 1, 2010, for a ten-year term, ending on November 30, 2020. On November 19, 2020 the lease agreement was amended to expire on May 31, 2020, with no renewal option.

The right-to-use asset was determined with a discount rate of 2.56%, which is the average rate of interest-bearing debt published by U.S. Treasury Department.

Total rent expense for the year ended December 31, 2019 totaled \$458,671.

The following table summarizes the balance sheet classification of the operating lease asset and related finance lease liability at December 31, 2019:

Assets:	
Long-term finance lease right-of-use assets	\$ 616,142
Accumulated amortization of right-of-use assets	<u>(463,108)</u>
Total assets	<u>\$ 153,034</u>
Liabilities:	
Long-term finance lease liability	<u>\$ 181,882</u>

As of December 31, 2019, the Fund has a future minimum lease payment due in 2020 totaling \$210,730.

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**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

**Direct Mail Contract**

The Fund participates in a contract with an outside third party, expiring on December 31, 2019, to distribute substantially all of the Fund's educational materials to the public, which describes the purpose of the 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 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, 2019, no financial and compliance audit was required.

**Employment Contracts**

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

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

**NOTE 14 - EMPLOYEE RETIREMENT PLAN**

The 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 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 Fund did not make any contributions to the Plan on behalf of its employees for the year ended December 31, 2019 and no amounts were accrued at year end.

**NOTE 15 - MANAGEMENT PLAN TO IMPROVE RESULTS OF OPERATIONS**

In 2019, the Organization incurred higher costs resulting in an operating loss of approximately \$9 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.

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**NOTE 15 - MANAGEMENT PLAN TO IMPROVE RESULTS OF OPERATIONS (Continued)**

To address the deficiency and to stabilize and sustain its capital structure, management has taken measures to reduce overhead and operating expenses by developing a disciplined budget. Cost reductions were the result of select staffing reductions, freezing salaries and deferring expenditures not crucial to revenue generation. In addition, a new senior management team is focused on instilling greater budgetary and operating disciplines throughout the Organization's operating departments.

Through better planning and execution, the Organization is resuscitating its Capital Campaign and seeking to broaden its sources of revenue through greater Board and leadership engagement in fundraising. In addition, 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 - 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 date is December 7, 2020.

The Fund's management is in the process of finalizing a 5-year business plan which will be submitted to the trustee and bondholders. In addition, the Fund will seek to develop an agreement for forbearance of action and remedies that the bondholders would be entitled to pursue based on the Fund's efforts to rectify its operating and financial challenges.

Paycheck Protection Program Loan

On May 22, 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of approximately \$914,755 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration.

The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. The Organization intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in November 2020, principal and interest payments will be required through the maturity date in May 2022. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events.

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**NOTE 16 - SUBSEQUENT EVENTS (Continued)**

COVID-19

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 2019, 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.