

LAS VEGAS METROPOLITAN POLICE DEPARTMENT FOUNDATION

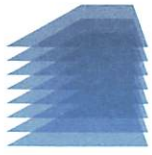
**REPORT ON
AUDITED FINANCIAL STATEMENTS**

DECEMBER 31, 2022

LAS VEGAS METROPOLITAN POLICE DEPARTMENT FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors
Las Vegas Metropolitan Police Department Foundation

Opinion

We have audited the accompanying financial statements of Las Vegas Metropolitan Police Department Foundation (a 501(c)(3) nonprofit Organization), which comprise the statements of financial position as of December 31, 2022, 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 financial statements referred to above present fairly, in all material respects, the financial position of Las Vegas Metropolitan Police Department Foundation as of December 31, 2022, 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. 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 Las Vegas Metropolitan Police Department Foundation and to meet our ethical responsibilities in accordance with 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 these financial statements in accordance with the 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 Las Vegas Metropolitan Police Department Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Las Vegas Metropolitan Police Department 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 Las Vegas Metropolitan Police Department 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 audit.


Campbell Jones Cohen CPAs

Las Vegas, Nevada
March 21, 2024

LAS VEGAS METROPOLITAN POLICE DEPARTMENT FOUNDATION

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022**

ASSETS

Current Assets:

Cash and cash equivalents	\$	183,945	
Certificate of deposit		2,001,672	
Contributions receivable, current portion, net (Note 4)		653,784	
Employee Retention Credit receivable (Note 8)		79,250	
Inventory (Note 9)		190,103	
Total current assets		<u>3,108,754</u>	\$ 3,108,754

Other Assets:

Right-of-use asset, operating lease (Note 5)		505,076	
Contributions receivable, non-current portion, net (Note 4)		100,000	
		<u>605,076</u>	

Total Assets		<u>\$ 3,713,830</u>	
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$	1,019,666	
Related party payable (Note 10)		880,000	
Line of credit (Note 6)		2,006,473	
Lease liability, operating current portion (Note 5)		48,494	
Total current liabilities		<u>3,954,633</u>	\$ 3,954,633

Long-Term Liabilities:

Lease liability, operating net of current portion (Note 5)			500,266
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Net Assets:

With donor restriction		3,615,968	
Without donor restrictions		(4,357,037)	
Total net assets		<u>(741,069)</u>	

Total Liabilities and Net Assets		<u>\$ 3,713,830</u>	
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LAS VEGAS METROPOLITAN POLICE DEPARTMENT FOUNDATION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities			
Revenue, Support and Gains:			
Contributions	\$ 630,712	\$ 9,560,387	\$ 10,191,099
Special events contributions	972,241	-	972,241
Special events exchange loss, net of direct expenses of \$524,095	(222,483)	-	(222,483)
Other income	395,228	-	395,228
Net assets released from restrictions	7,067,303	(7,067,303)	-
Total revenue, support and gains	8,843,001	2,493,084	11,336,085
Expenses and Losses:			
Program services expense	7,768,344	-	7,768,344
Supporting services:			
Management and general	523,584	-	523,584
Fundraising and development	290,968	-	290,968
Total support services	814,552	-	814,552
Total expenses	8,582,896	-	8,582,896
Non-Operating Activities:			
Interest income	1,672	-	1,672
Interest expense	(25,823)	-	(25,823)
Total non-operating activities	(24,151)	-	(24,151)
Change in net assets	235,954	2,493,084	2,729,038
Net assets, beginning of year	(4,592,991)	1,122,884	(3,470,107)
Net assets, end of year	\$ (4,357,037)	\$ 3,615,968	\$ (741,069)

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

LAS VEGAS METROPOLITAN POLICE DEPARTMENT FOUNDATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising & Development</u>	<u>Total</u>
Community engagement	\$ 1,033,150	\$ -	\$ -	\$ 1,033,150
Salaries and wages	540,198	225,083	135,051	900,331
Program services	499,632	-	-	499,632
Administrative	110,200	31,486	15,743	157,429
Advertising & public relations	200,013	40,003	26,668	266,684
Professional fees	339,975	185,441	92,720	618,136
Occupancy	145,502	41,572	20,786	207,860
Reality based training center	4,899,674	-	-	4,899,674
Special event expenses	288,252	-	235,843	524,095
Total	<u>8,056,596</u>	<u>523,584</u>	<u>526,811</u>	<u>9,106,991</u>
Less: Expenses netted against revenues on the Statement of Activities:				
Special event expenses	<u>(288,252)</u>	<u>-</u>	<u>(235,843)</u>	<u>(524,095)</u>
Total expenses included in the expense section of the Statement of Activities	<u>\$ 7,768,344</u>	<u>\$ 523,584</u>	<u>\$ 290,968</u>	<u>\$ 8,582,896</u>

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

LAS VEGAS METROPOLITAN POLICE DEPARTMENT FOUNDATION

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Cash Flows From Operating Activities:

Change in net assets	\$ 2,729,038	
Adjustments to reconcile change in net assets to net cash provided by operations:		
Operating lease	43,684	
Changes in Operating Assets and Liabilities:		
(Increase) decrease in contributions receivable	157,927	
(Increase) decrease in Employee Retention Credit receivable	(79,250)	
(Increase) decrease in inventory	(132,687)	
Increase (decrease) in accounts payable	<u>(2,228,463)</u>	
Net cash provided by operating activities		\$ 490,249

Cash Flows from Financing Activities:

Payments to related party	(620,000)	
Proceeds from line of credit	<u>2,006,473</u>	
Net cash provided by financing activities		1,386,473

Cash Flows from Investing Activities:

Investment in certificates of deposit		<u>(2,001,672)</u>
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Net decrease in cash and cash equivalents (124,950)

Cash and cash equivalents, beginning of year 308,895

Cash and cash equivalents, end of year \$ 183,945

Supplemental Disclosure of Cash Flow Information

Amounts paid for interest and taxes for the year ended December 31, 2022 were \$25,823 and \$0, respectively.

Schedule of Non-Cash Investing Activities:

During the year, the Foundation recorded a Right-Of-Use Asset in the amount of \$566,788 and a corresponding lease liability in the same amount.

LAS VEGAS METROPOLITAN POLICE DEPARTMENT FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FOUNDATION

Las Vegas Metropolitan Police Department Foundation (the “Foundation”), formerly known as the Friends of the Las Vegas Metropolitan Police, is a non-profit 501(c)(3) dedicated to supporting programs that help keep the Las Vegas community safer. The Foundation supports programs that prevent crime, save lives, and make the community a safer place to live, work and play. The Foundation receives donations from the community and uses those donations to help fund the Las Vegas Metropolitan Police Department program and equipment needs.

BASIS OF PRESENTATION

The financial statements of the Las Vegas Metropolitan Police Department Foundation have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”), which require Las Vegas Metropolitan Police Department Foundation to report information regarding its financial position and activities according to the following net asset classifications: Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-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 (or certain grantor) restrictions.

Net assets with donor restrictions: Net assets subject to donor- (or certain grantor-) 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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restrictions when the assets are placed in service. 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.

CASH AND CASH EQUIVALENTS

The Foundation considers all cash and highly liquid financial instruments with original maturities of three months or less to be cash and cash equivalents.

CONTRIBUTIONS RECEIVABLE

Contributions receivable, including unconditional promises to give, are recognized as revenue in the period made. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08 Not-For-Profit-Entities (Topic 985), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* contributions receivable, less an appropriate reserve, are recorded at their estimated fair value. Management determines the allowance for doubtful accounts by regularly evaluating the specific contributions and contracts. Receivables are written off when deemed uncollectible. At December 31, 2022 management determined that no allowance for doubtful accounts was necessary.

LAS VEGAS METROPOLITAN POLICE DEPARTMENT FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVENTORY

The Foundation's gift shop inventory is comprised of program-related merchandise held for sale in the gift shop and is stated at lower of cost or net realizable value determined by the first-in first-out method. At December 31, 2022, management determined there was no need for an allowance for gift shop inventory obsolescence.

As of January 1, 2022, the Foundation made a change in accounting principle that effected inventory for the Honor Guard. This inventory consists of items used in program activities. At December 31, 2022 there was no need for an allowance for Honor Guard inventory obsolescence. This change in accounting principle is discussed in Note 9.

ADVERTISING COSTS

Advertising costs are expensed as incurred and approximated \$266,684 during the year ended December 31, 2022.

FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritized investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Las Vegas Metropolitan Police Department Foundation groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

- | | |
|----------------|--|
| Level 1 | Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date. |
| Level 2 | Other observable inputs, either directly or indirectly, including: <ul style="list-style-type: none">• Quoted prices for similar assets/liabilities in active markets;• Quoted prices for identical or similar assets in non-active markets;• Inputs other than quoted prices that are observable for the asset/liability; and• Inputs that are derived principally from or corroborated by other observable market data. |
| Level 3 | Unobservable inputs that cannot be corroborated by observable market data. |

FUNCTIONAL EXPENSES

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated amount program activities and supporting services benefited. Such allocations are determined by management on an equitable basis.

LAS VEGAS METROPOLITAN POLICE DEPARTMENT FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Community engagement	Nature of expense
Salaries and wages	Time and effort
Program services	Nature of expense
Administrative	Nature of expense
Advertising & public relations	Nature of expense
Professional fees	Time and effort
Occupancy	Time and effort
Reality based training center	Nature of expense
Special event expense	Nature of expense

INCOME TAXES

Las Vegas Metropolitan Police Department Foundation is exempt from income tax under IRC section 501(c)(3). However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purpose for which it was granted exemption. No income tax provision had been recorded as the net income, if any, from an unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole. Management believes that no uncertain tax positions exist for the Foundation at December 31, 2022. The Foundation files an income tax return in the U.S. federal jurisdiction.

FINANCIAL INSTRUMENTS AND CREDIT RISK

The Foundation manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Foundation to be creditworthy. At times, amounts on deposit may exceed insured limits.

BUILDING, FURNITURE AND EQUIPMENT

Building, furniture and equipment are recorded at cost or at estimated fair value at the date of gift. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Foundation follows the practice of capitalizing all expenditures for equipment in excess of \$5,000. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. As of December 31, 2022, there were no assets that met the criteria for capitalization.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the Foundation to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

LAS VEGAS METROPOLITAN POLICE DEPARTMENT FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. Amortization of the discounts is recorded as additional contribution revenue. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions, grants and bequests are recognized as donor restricted net assets if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Special events produce contribution revenue, recognized in accordance with the policy described in the preceding paragraph, and exchange revenue related to the value of the benefits received by the donors, which is recognized as the events occur.

Las Vegas Metropolitan Police Department Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

ADOPTION OF FASB ASC 842, LEASES

Effective January 1, 2022, the Foundation adopted FASB ASC 842, *Leases*. The new standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Leases with a term of less than 12 months will not record a right of use asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term.

The Foundation elected to adopt FASB ASC 842, *Leases*, using the optional transition method that allows the Foundation to initially apply the new leases standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adoption. As a result, the Foundation reporting for the comparative period presented in the financial statements is in accordance with FASB ASC 842.

The Foundation elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract.

LAS VEGAS METROPOLITAN POLICE DEPARTMENT FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADOPTION OF FASB ASC 842, LEASES (continued)

The Foundation also elected to adopt the practical expedient to use hindsight to determine the lease term and assess the impairment of the right of use assets.

The adoption of FASB ASC 842, *Leases*, resulted in the following impact at January 1, 2022:

Non-current operating ROU Asset	\$	566,788
Finance lease asset		-
Assets	\$	566,788
Current lease liability	\$	18,027
Non-current lease liability		548,761
Liabilities	\$	566,788

NOTE 2 - AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position dated, comprise the following at December 31, 2022:

Financial assets at year end:		
Cash and cash equivalents	\$	183,945
Certificate of deposit		2,001,672
Contributions receivable, current portion		653,784
ERC receivable		79,251
Total financial assets	\$	2,918,652
Less amounts not available to be used in one year:		
Net assets with donor restrictions		3,615,968
Less net assets with purpose restrictions to be met in less than one year		-
Quasi endowment established by the board		-
		3,615,968
Financial assets available to meet general expenditures over the next twelve months	\$	(697,316)

As part of its liquidity management plan, the Foundation maintains cash in excess of daily requirements in a depository account. The Foundation's goal is to keep at least three months of cash on hand, which would cover approximately \$350,000 in operating expenses.

NOTE 3 - FUNDRAISING EXPENSE

Fundraising activities include the capital campaign to raise funds to build the Reality Based Training Center. An allocation of management and payroll expenses was made to fundraising expense. Fundraising expense amounted to \$290,968 for the year ended December 31, 2022.

LAS VEGAS METROPOLITAN POLICE DEPARTMENT FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - CONTRIBUTIONS RECEIVABLE AND RECEIVED

Contributions receivable are estimated to be collected as follows at December 31, 2022:

	<u>December 31,</u> <u>2022</u>
Within one year	\$ 653,784
In two to five years	100,000
Total	<u>753,784</u>
Less: Allowance for uncollectible promises to give	-
Contributions receivable, net	<u>\$ 753,784</u>

On June 19, 2019, the Foundation received an \$8,000,000 commitment restricted for the reality based training center with the following commitments:

When \$10,000,000 in readily available cash is raised, the donor will release \$3,000,000.

When \$16,000,000 in readily available cash is raised, the donor will release \$3,000,000.

When \$23,000,000 in readily available cash is raised, the donor will release \$2,000,000.

The Foundation received the first payment in June 2021 and the second payment in November 2021, both in the amount of \$3,000,000 each. The third and final payment in the amount of \$2,000,000 was received in April 2022.

NOTE 5 - LEASES –LESSEES

The Foundation leases office and retail space under operating leases with a 10 year and a 22 month lease term, respectively. Some leases include renewal options which can typically extend the lease for a length of time identical to the original term. The exercise of these renewal options is at the sole discretion of the Foundation, and only lease options that the Foundation believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities.

Currently, the Foundation's office lease is based on fixed payment schedules. Lease costs associated with fixed payments on the Foundation's office operating lease were \$61,919 for the year ended December 31, 2022.

The Foundation's retail lease is based on the percentage of revenues generated each month. The Foundation pays Fashion Show Mall 15% of the revenues generated per month according to the lease terms. Lease costs associated with variable payments on the Foundation's retail operating lease were \$6,978 for the year ended December 31, 2022.

Noncash activities involving right-of-use ("ROU") assets obtained in exchange for lease liabilities were \$548,760 for the year ended December 31, 2022, including the impact of adopting FASB ASC Topic 842, *Leases*, in the first quarter of 2022.

LAS VEGAS METROPOLITAN POLICE DEPARTMENT FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 - LEASES –LESSEES (CONTINUED)

The following table shows the ROU assets and lease liabilities, and the associated financial statement line items, as of December 31, 2022:

Lease-Related Assets and Liabilities	Financial Statement Line Items	2022
Right-of-Use Assets:		
Operating leases	Operating lease right-of-use assets	\$ 505,076
Total right-of-use assets		\$ 505,076
Lease Liabilities:		
2022		
Operating leases	Operating lease liability, current portion	\$ 48,494
	Operating lease liability, net of current portion	500,266
Total lease liabilities		\$ 548,760

Lease liability maturities as of December 31, 2022 are as follows:

2023	\$ 68,375
2024	65,690
2025	67,660
2026	69,690
2027	71,781
Thereafter	309,314
Total undiscounted liabilities	652,510
Less: Imputed interest	(103,750)
Total lease liabilities	\$ 548,760

The weighted-average remaining lease term related to the Foundation’s lease liabilities as of December 31, 2022, was 9.75 years.

The discount rate related to the Foundation’s lease liabilities as of December 31, 2022, was 3.79% for the office lease and 0.734% for the retail lease. The discount rates are generally based on estimates of the Foundation’s incremental borrowing rate, as the discount rates implicit in the Foundation’s leases cannot be readily determined.

LAS VEGAS METROPOLITAN POLICE DEPARTMENT FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 - LINE OF CREDIT

On September 28, 2022 The Foundation opened two revolving credit lines with City National Bank: one for \$7,000,000, and one for \$2,000,000.

The \$7,000,000 revolving credit line had an interest rate based on a prime rate of 2.5% plus 2.00%, for a total of 4.50%. The \$2,000,000 revolving credit line had an interest rate of 1.75% and was secured by a \$2,000,000 certificate of deposit, held by City National Bank.. At December 31, 2022 the total amount due on both lines was \$2,006,473. Interest on outstanding loan balances was payable monthly. Interest paid on these credit lines for 2022 was \$9,265. Both lines had a maturity date of November 1, 2023, at which time all outstanding principal and interest would be due. As of July 31, 2023, both revolving credit lines were paid in full and the certificate of deposit was closed.

On March 11, 2022, the Foundation entered into a revolving credit line agreement with Lexicon Bank in the amount of \$500,000. The maturity date for the loan was March 11, 2023 and had an interest rate of 4.75% which is based on 1.500 points over Wall Street Journal West Coast Edition Prime Rate. Interest was due monthly, and the principal balance was due at maturity. The Foundation paid off the line of credit on November 8, 2022. At December 31, 2022, the interest paid on the credit line was \$16,558.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets have been restricted by donors for the following purposes at December 31, 2022:

Reality based training center	\$ -
Metro programs	3,615,968
Total net assets with donor restrictions	<u>\$ 3,615,968</u>

Net assets were released from donor restrictions as follows during the year ended December 31, 2022:

Reality based training center	\$ 6,560,000
Metro programs	507,303
Total net assets released from donor restrictions	<u>\$ 7,067,303</u>

NOTE 8 - EMPLOYEE RETENTION CREDIT

The CARES Act provides an employee retention credit (“CARES Employee Retention Credit”), which is a refundable tax credit against certain employment taxes of up to 70% of qualified wages paid to employees during the quarter, with the limit on qualified wages per employee being \$10,000 per quarter. The receivables for the Employee Retention Credit (“ERC”) at December 31, 2022 were \$79,251. These receivables represent refunds due on for payroll credits from quarter four of 2020 and quarter one of 2021. As of October 10, 2023, the Company has received \$48,521, representing the refund due from quarter one of 2021, and was still owed \$30,730 for quarter four of 2020.

LAS VEGAS METROPOLITAN POLICE DEPARTMENT FOUNDATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 - CHANGE IN ACCOUNTING PRINCIPLE RELATED TO INVENTORY

On January 1, 2022, the Foundation changed its method of recording merchandise inventory for the Honor Guard Program to record it in an inventory account on the statement of financial position and to expense the inventory when it is used for program purposes. In all prior periods, merchandise related to inventory for the Honor Guard Program was expensed.

The new method of accounting for inventory was adopted because of changes in the composition of the Foundation's inventory resulting in larger quantities of inventory on-hand. It was not practicable to determine the effect on the 2021 financial statements of applying the new method retrospectively. As a result, the cumulative effect of applying the new method retrospectively as of January 1, 2022, was charged to 2022 earnings. The effect was an increase in the inventory asset by \$118,014 and a decrease in expense of \$118,014.

Total inventory consisted of the following merchandise at December 31, 2022:

Gift shop inventory	\$	72,089
Honor Guard program inventory		118,014
Total inventory	\$	<u>190,103</u>

NOTE 10 - RELATED PARTY PAYABLE

The Foundation received a loan from a board member for assistance in building the reality based training center. The original loan was for \$1,500,000 and the balance outstanding on the loan was \$880,000 as of December 31, 2022. The loan had an interest rate of 0% and was due and payable January 29, 2022. The Foundation was granted a payment extension by the board member, and the loan was paid off in full on April 20, 2023.

	December 31,
	<u>2022</u>
Current portion	\$ 880,000
Long-term portion	-
	<u>\$ 880,000</u>

NOTE 11 - REALITY BASED TRAINING CENTER

The reality based training center is a facility where law enforcement and other first responders receive specialized training that includes conditioning, decision-making skills, stress inoculation, and de-escalation techniques to save lives and protect themselves and civilians. Construction in progress and furnishings, fixtures and equipment for the reality based training center have been expensed, as the building and all furnishings, fixtures and equipment will become the property of the Las Vegas Metropolitan Police Department. Construction of the first building of the reality based training center was completed in the spring of 2022. The structural shell and mechanicals of the second building were completed in the summer of 2022. The build-out of the interior of the second building, which will be an indoor tactical training village, started construction in the Fall of 2022 and continues into 2023.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 12 - SUBSEQUENT EVENTS

The Foundation received an anonymous donation of \$4,000,000 on March 16, 2023.

The retail kiosk located in the Fashion Show Mall was closed in August 2023. The inventory is available for sale on the website and occasional events.

The Foundation has evaluated subsequent events through March 21, 2024, which is the date the financial statements were available to be issued.