AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.

Financial Statements

Years Ended December 31, 2006 and 2005

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Americans for Effective Law Enforcement, Inc.
Park Ridge, Illinois

We have audited the accompanying statements of financial position of Americans For Effective Law Enforcement, Inc. (a not-for-profit organization) as of December 31, 2006 and 2005, and the related statements of activities, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Americans for Effective Law Enforcement, Inc. as of December 31, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Vladem, Lerman, Sweeney & Company, LLP

Skokie, Illinois
June 20, 2007

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.

STATEMENTS OF FINANCIAL POSITION

	December 31, 2006	December 31, 2005
ASSETS		
CURRENT ASSETS		
Cash in checking accounts	$ 29,482	$ 20,397
Cash in savings and short-term investments - Note A	158,918	143,330
Marketable securities - Note D	1,962,253	1,914,966
Accounts receivable - Note A	5,855	15,990
Prepaid expenses	35,031	47,114
TOTAL CURRENT ASSETS	2,191,539	2,141,797
PROPERTY AND EQUIPMENT - Notes A and C		
Building and improvements	565,634	565,634
Furniture and equipment	104,859	104,859
TOTAL PROPERTY AND EQUIPMENT	670,493	670,493
Less accumulated depreciation	228,719	205,163
NET PROPERTY AND EQUIPMENT	441,774	465,330
OTHER ASSETS		
Investment--partnership - Note B	(158,968)	(162,231)
TOTAL ASSETS	$ 2,474,345	$ 2,444,896

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

	December 31, 2006	December 31, 2005
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 211,073	$ 188,655
Income taxes payable - Note A	903	903
Deferred revenue - Note A	78,280	99,637
TOTAL CURRENT LIABILITIES	290,256	289,195
NET ASSETS - Note A		
Unrestricted	2,184,089	2,155,701
TOTAL LIABILITIES AND NET ASSETS	$ 2,474,345	$ 2,444,896

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

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.

STATEMENTS OF ACTIVITIES

	Years Ended December 31, 2006 Unrestricted	Years Ended December 31, 2005 Unrestricted
Revenues - Note A		
Workshops	$ 551,926	$ 431,238
Subscriptions and audio visual	90,763	172,993
Investment income	44,907	33,613
Realized and unrealized gains (losses) on marketable securities	294,124	225,114
Contributions received	900	0
Investment gain (loss) - partnership	3,263	13,654
TOTAL REVENUES	985,883	876,612
Expenses		
Salaries	256,707	250,863
Workshops	254,218	225,861
Professional writing	89,984	104,035
Insurance	89,319	92,218
Outside services	31,741	34,231
Publications	31,042	30,651
Investment management fees	26,245	23,374
Postage and shipping	25,541	20,817
Depreciation	23,556	25,908
Real estate taxes	20,341	19,299
Law library and subscriptions	20,074	24,293
Taxes and service charges	14,799	12,375
Payroll taxes	14,312	13,869
Travel and entertainment	11,757	5,648
Professional fees	10,847	15,976
Office supplies	9,390	9,160
Computer expense	9,289	7,256
Telephone	6,974	7,633
Utilities	6,857	6,512
Amicus briefs	3,067	2,711
Repairs and maintenance	600	2,429
Miscellaneous expense	513	1,548
Miscellaneous printing	322	326
TOTAL EXPENSES	957,495	936,993
DECREASE IN NET ASSETS	$ 28,388	$ (60,381)

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

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.

STATEMENTS OF CHANGES IN NET ASSETS

	Years Ended December 31, 2006 Unrestricted	2005 Unrestricted
Net assets at beginning of year	$ 2,155,701	$ 2,216,082
Increase (Decrease) in net assets	28,388	(60,381)
NET ASSETS AT END OF YEAR	$ 2,184,089	$ 2,155,701

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

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.

STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2006	Years Ended December 31, 2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ (60,381)	$ (60,381)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	25,908	25,908
(Gains) losses on marketable securities	(225,114)	(225,114)
Investment (gains) losses - partnership	(13,654)	(13,654)
(Increase) decrease in:		
Accounts receivable	(1,423)	(1,423)
Prepaid expenses	(4,398)	(4,398)
Increase (decrease) in:		
Accounts payable and accrued expenses	(15,903)	(15,903)
Income taxes payable	0	0
Deferred revenue	20,889	20,889
NET CASH USED IN OPERATING ACTIVITIES	(274,076)	(274,076)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of marketable securities	(1,353,202)	(1,353,202)
Sale of marketable securities	1,433,323	1,433,323
Purchase of property and equipment	(4,715)	(4,715)
Capital distribution - partnership	695	695
NET CASH PROVIDED BY INVESTING ACTIVITIES	76,101	76,101
NET DECREASE IN CASH AND CASH EQUIVALENTS	(197,975)	(197,975)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR - NOTE A	361,702	361,702
CASH AND CASH EQUIVALENTS AT END OF YEAR - NOTE A	$ 163,727	$ 163,727
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for income taxes	$ 2,285	$ 2,285

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Organization maintains a national legal research center to assist law enforcement agencies. They also provide legal publications and workshops as well as filing amicus curiae briefs in the United States Supreme Court and other major courts in support of the law enforcement issues.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers short-term investments, such as money-market accounts, certificates of deposit and other highly liquid assets as cash equivalents.

Accounts Receivable

The Organization considers accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they are charged to operations when that determination is made.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values on the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Property and Equipment

The cost of property and equipment is being depreciated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of the assets are as follows:

Building and improvements	5-40 years
Furniture and fixtures	5-7 years
Computer and office equipment	3-5 years
Computer software	3 years

Depreciation expense amounted to $23,556 and $25,908 for the years ended December 31, 2006 and 2005, respectively.

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-- Continued

Concentration of Credit Risk

The Organization provides credit in the normal course of business to customers throughout the United States. The Company maintains its cash balances at various financial institutions. The accounts are insured by the Federal Deposit Insurance Corporation up to $100,000. At December 31, 2006 and 2005, the Organization did not have an uninsured cash balance.

Revenue Recognition and Deferred Revenue

Voluntary contributions are recorded as revenue when received, except when specified by the donor for use in future periods. The Organization received contributions in the amount of $900 in 2006 and $0 in 2005.

Deferred revenue arises from contributions, prepayments of workshop fees and subscription revenue applicable to future periods. Specifically, the Organization recognizes all subscription revenues received for subscriptions commencing in the current year as revenue in the current year. Subscription revenue received in the current year for subscriptions commencing in the following year is deferred.

Income Taxes

Americans for Effective Law Enforcement, Inc. is a not-for-profit organization which is exempt from federal income taxes on its not-for-profit activities under Internal Revenue Code Section 501(c)(3). However, unrelated activities are subject to income taxation under the Internal Revenue Code. As such, a provision for federal and state taxes in the amount of $903 has been included in taxes and service charges for both years ended December 31, 2005 and 2004.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements for Not-for-Profit Organizations. Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. No permanently or temporarily restricted assets were held, and accordingly, these financials do not reflect any activity related to these classes of net assets.

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE B -- INVESTMENT --PARTNERSHIP

In 1993, the Organization purchased an interest in Spectrum, LLC (a real estate limited liability company) for $150,000, which is accounted for using the equity method. In 2000, an additional $41,640 was contributed due to a capital call by the managing partner. At December 31, 2006 and 2004, the book value of the Organization's 13.89% interest amounted to $(158,968) and $(162,231), respectively. A summary of financial information of Spectrum, LLC as of December 31, 2006 and 2005 is shown below:

	2006	2005
Net assets	$ (322,062)	$ (322,062)
Net sales	$1,012,994	$1,012,994
Net income	$ 98,245	$ 98,245

NOTE C -- BUILDING PURCHASE

In August 2000, the Organization purchased a building in Park Ridge, Illinois for its own exclusive use for $495,000 in cash. The Organization is required to pay the real estate taxes as they are regularly assessed. Real estate taxes amounting to $22,109 have been accrued for the years ended December 31, 2006 and 2005, respectively.

NOTE D -- MARKETABLE SECURITIES

Marketable securities are stated at fair value and consist of equity securities. As of December 31, 2006 and 2005, the Organization had unrealized holding gains (losses) on these securities as follows:

	2006	2005
Market Value	$1,962,253	$1,914,966
Original cost	1,???,???	1,573,441
Unrealized gain	$ 341,525	$ 341,525

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE E-POSTRETIREMENT PLAN

The Company sponsors a defined postretirement plan that covers health care premiums for its full-time employees. Eligible persons are those who have worked for the Organization ("AELE") at least 20 years as a full-time employee and who are still employed at AELE when they reach age 65, or who have worked for AELE at least 25 years as a full-time employee, and who are still employed at AELE when they reach age 62 and either retire or work part-time or work in an unpaid or reduced compensations emeritus status. The plan is noncontributory and is unfunded. AELE will provide supplemental coverage to all eligible employees with limits on premium payments of four percent of the premium cost for each year of full-time service as an employee.

NOTE F -- JOINT PUBLISHING AGREEMENT

In January, 2002, the Organization entered into a Joint Publishing Agreement with the Public Safety Personnel Research Institute, Inc. (PSPRI), an Illinois corporation owned entirely by the Executive Director. Subsequently, in 2002, PSPRI liquidated its assets and ceased operations, with the Executive Director assuming the Agreement. Pursuant to the Agreement, which is effective January 1, 2002, the Organization produces a joint publication, which includes two publications owned by AELE and a single publication owned by the former PSPRI. The purpose of the agreement is to pursue a web-based platform for the publications, which is anticipated to enhance subscriber value and increase circulation. Net profits from the publication will be apportioned using an agreed upon formula, based on respective subscriber counts for each publication from the previous year. AELE will be responsible for the website administration, bills and collection, and any printing and mailing of associated documentation. Applicable direct and indirect expenses will be apportioned based on external criteria and reasonable estimates of overhead. In December 2005, the Executive Director agre

NOTE G-SUBSEQUENT EVENT

In March 2006, the Board of Directors of the Organization made a determination to discontinue charging subscription fees for all Monthly Law Summary publications. Consequently, renewal notices will not be sent to existing subscribers after the June 2006 renewal period. As part of this plan, these legal publications will be accessible by the public without a password on the Organization's website beginning with the September 2006 issues. Revenues from these publications were approximately $172,000 in 2005 and $196,000 in 2004.