

FINANCIAL STATEMENTS

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.

DECEMBER 31, 2008 AND 2007

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.

Financial Statements

Years Ended December 31, 2008 and 2007

CONTENTS

	Page
AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position.....	2
Statements of Activities	4
Statements of Changes in Net Assets.....	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7

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, 2008 and 2007, 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, 2008 and 2007, 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.

Berman, Sweeney & Company, LLP

Skokie, Illinois
May 6, 2009

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.

STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2008	2007
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ASSETS		
CURRENT ASSETS		
Cash in checking accounts	\$ 27,097	\$ 35,298
Cash in savings and short-term investments - Note A	96,819	115,233
Marketable securities - Note D	953,739	1,974,141
Accounts receivable - Note A	6,650	13,695
Prepaid expenses	33,884	33,125
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	1,118,189	2,171,492
PROPERTY AND EQUIPMENT - Notes A and C		
Building and improvements	565,634	565,634
Furniture and equipment	104,859	104,859
	<hr/>	<hr/>
TOTAL PROPERTY AND EQUIPMENT	670,493	670,493
Less accumulated depreciation	266,870	250,342
	<hr/>	<hr/>
NET PROPERTY AND EQUIPMENT	403,623	420,151
OTHER ASSETS		
Investment--partnership - Note B	(153,949)	(154,274)
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 1,367,863</u>	<u>\$ 2,437,369</u>

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

	December 31,	
	<u>2008</u>	<u>2007</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 213,624	\$ 216,985
Income taxes payable - Note A	903	903
Deferred revenue - Note A	<u>65,345</u>	<u>62,237</u>
TOTAL CURRENT LIABILITIES	279,872	280,125
NET ASSETS - Note A		
Unrestricted	<u>1,087,991</u>	<u>2,157,244</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,367,863</u>	<u>\$ 2,437,369</u>

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

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.

STATEMENTS OF ACTIVITIES

		Years Ended December 31,	
		2008	2007
		<u>Unrestricted</u>	<u>Unrestricted</u>
Revenues - Note A			
Workshops		\$ 397,430	\$ 572,987
Investment income		37,963	41,298
Realized and unrealized gains (losses) on marketable securities		(667,509)	196,624
Contributions received		0	400
Investment gain (loss) - partnership		325	4,694
		<u> </u>	<u> </u>
	TOTAL REVENUES (LOSSES)	(231,791)	816,003
Expenses			
Salaries		255,435	252,716
Workshops		214,823	213,461
Insurance		99,593	95,719
Professional writing		48,582	47,730
Outside services		37,824	32,646
Real estate taxes		21,392	22,225
Publications		18,096	18,720
Investment management fees		17,560	24,461
Depreciation		16,528	21,623
Law library and subscriptions		16,154	16,568
Payroll taxes		15,193	14,822
Postage and shipping		14,888	20,782
Taxes and service charges		11,037	9,895
Professional fees		8,781	9,564
Travel and entertainment		8,252	7,578
Utilities		7,353	6,922
Telephone		6,231	5,629
Amicus briefs		6,208	0
Office supplies		5,378	5,899
Computer expense		5,313	13,674
Repairs and maintenance		2,613	2,067
Miscellaneous printing		228	147
		<u> </u>	<u> </u>
	TOTAL EXPENSES	837,462	842,848
		<u> </u>	<u> </u>
	INCREASE (DECREASE) IN NET ASSETS	\$ (1,069,253)	\$ (26,845)
		<u> </u>	<u> </u>

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

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.

STATEMENTS OF CHANGES IN NET ASSETS

	Years Ended December 31,	
	2008	2007
	<u>Unrestricted</u>	<u>Unrestricted</u>
Net assets at beginning of year	\$ 2,157,244	\$ 2,184,089
Increase (decrease) in net assets	<u>(1,069,253)</u>	<u>(26,845)</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 1,087,991</u></u>	<u><u>\$ 2,157,244</u></u>

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

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.

STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (1,069,253)	\$ (26,845)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	16,528	21,623
(Gains) losses on marketable securities	667,509	(196,624)
Investment (gains) losses - partnership	(325)	(4,694)
(Increase) decrease in:		
Accounts receivable	7,045	(7,840)
Prepaid expenses	(759)	1,906
Increase (decrease) in:		
Accounts payable and accrued expenses	(3,361)	5,912
Deferred revenue	3,108	(16,043)
NET CASH USED IN OPERATING ACTIVITIES	(379,508)	(222,605)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of marketable securities	(1,439,142)	(1,252,292)
Sale of marketable securities	1,792,035	1,437,028
NET CASH PROVIDED BY INVESTING ACTIVITIES	352,893	184,736
NET DECREASE IN CASH AND CASH EQUIVALENTS	(26,615)	(37,869)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR - NOTE A	150,531	188,400
CASH AND CASH EQUIVALENTS AT END OF YEAR - NOTE A	\$ 123,916	\$ 150,531

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

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008 and 2007

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 \$16,528 and \$21,623 for the years ended December 31, 2008 and 2007, respectively.

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008 and 2007

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 credit risk with respect to these receivables is generally considered minimal, and procedures are in effect to monitor the credit worthiness of customers.

The Company maintains its cash balances at various financial institutions. The accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2008 and 2007, the uninsured cash balance was \$67,573 and \$66,744 respectively.

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 \$0 in 2008 and \$400 in 2007.

Deferred revenue arises from prepayments of workshop fees applicable to future periods.

The Organization does not charge subscription fees for Monthly Law Summary publications. These legal publications are accessible by the public without a password on the Organization's website.

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, 2008 and 2007.

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 and 2007

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

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.

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, 2008 and 2007, the book value of the Organization's 13.89% interest amounted to \$(153,949) and \$(154,274), respectively. A summary of financial information of Spectrum, LLC as of December 31, 2008 and 2007 is shown below:

	<u>2008</u>	<u>2007</u>
Net liabilities	\$ (262,470)	\$ (264,809)
Net sales	\$ 789,383	\$ 796,892
Net income	\$ 2,341	\$ 32,350

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 \$22,776 and \$22,776 have been accrued for the years ended December 31, 2008 and 2007, respectively.

NOTE D -- MARKETABLE SECURITIES

Marketable securities are stated at fair value and consist of equity securities. As of December 31, 2008 and 2007, the Organization had unrealized holding gains (losses) on these securities as follows:

	<u>2008</u>	<u>2007</u>
Market value	\$ 953,739	\$ 1,974,141
Original cost	\$ <u>1,249,048</u>	\$ <u>1,647,792</u>
Unrealized (loss) gain	\$ <u>(295,309)</u>	\$ <u>326,349</u>

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008 and 2007

NOTE E – POSTRETIREMENT PLAN

The Organization sponsors a defined post-retirement plan that covers health care premiums for its full-time employees. Eligible persons are either:

- Those who have worked for the Organization full-time for at least 20 years, and are still employed at the Organization at age 65, or
- Those who have worked full-time at the Organization for at least 25 years, and are still employed at the Organization at age 62

and who retire, work part-time or work in an unpaid or reduced compensation emeritus status.

The plan is noncontributory and is unfunded. The Organization 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.