



JULY 13, 2010

FINANCIAL STATEMENTS

AMERICAN FOR EFFECTIVE LAW ENFORCEMENT, INC.

YEARS ENDED DECEMBER 31, 2009 AND 2008

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.

Financial Statements

Years Ended December 31, 2009 and 2008

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



LERMAN, SWEENEY
& COMPANY, LLP

5215 Old Orchard Rd, Ste 525, Skokie, Illinois 60077
p: 847.966.6696 f: 847.966.6808 LSandCo.net

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, 2009 and 2008, 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, 2009 and 2008, 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.

Lerman, Sweeney & Company, LLP

Skokie, Illinois
May 6, 2010

RECEIVED
A.E.L.E.

JULY 13, 2010

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.

STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2009	2008
ASSETS		
CURRENT ASSETS		
Cash in checking accounts	\$ 46,927	\$ 27,097
Cash in savings and short-term investments - Note A	61,131	96,819
Marketable securities - Note D	711,524	953,739
Accounts receivable - Note A	10,530	6,650
Prepaid expenses	27,708	33,884
	<u>857,820</u>	<u>1,118,189</u>
TOTAL CURRENT ASSETS	857,820	1,118,189
PROPERTY AND EQUIPMENT - Notes A and C		
Building and improvements	565,634	565,634
Furniture and equipment	104,859	104,859
	<u>670,493</u>	<u>670,493</u>
TOTAL PROPERTY AND EQUIPMENT	670,493	670,493
Less accumulated depreciation	<u>282,010</u>	<u>266,870</u>
NET PROPERTY AND EQUIPMENT	388,483	403,623
OTHER ASSETS		
Investment--partnership - Note B	<u>(167,182)</u>	<u>(153,949)</u>
TOTAL ASSETS	<u>\$ 1,079,121</u>	<u>\$ 1,367,863</u>

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

STATEMENTS OF FINANCIAL POSITION

-3-

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.

STATEMENTS OF ACTIVITIES

		Years Ended December 31,	
		2009	2008
		<u>Unrestricted</u>	<u>Unrestricted</u>
Revenues - Note A			
Workshops (net of discounts)		\$ 328,204	\$ 397,430
Investment income		18,391	37,963
Realized and unrealized gains (losses) on marketable securities		147,909	(667,509)
Investment gain (loss) - partnership		<u>(13,233)</u>	<u>325</u>
	TOTAL REVENUES (LOSSES)	481,271	(231,791)
Expenses			
Salaries		217,315	255,435
Workshops		194,883	214,823
Insurance		103,613	99,593
Professional writing		50,302	48,582
Outside services		35,399	37,824
Real estate taxes		21,419	21,392
Postage and shipping		20,553	14,888
Publications		19,344	18,096
Law library and subscriptions		15,490	16,154
Payroll taxes		15,162	15,193
Depreciation		15,140	16,528
Investment management fees		11,625	17,560
Taxes and service charges		10,203	11,037
Professional fees		8,350	8,781
Travel and entertainment		7,611	8,252
Utilities		6,010	7,353
Telephone		5,205	6,231
Computer expense		4,230	5,313
Office supplies		3,192	5,378
Miscellaneous printing		27	228
Amicus briefs		-	6,208
Repairs and maintenance		-	2,613
	TOTAL EXPENSES	<u>765,073</u>	<u>837,462</u>
	INCREASE (DECREASE) IN NET ASSETS	<u>\$ (283,802)</u>	<u>\$ (1,069,253)</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,	
	2009	2008
	<u>Unrestricted</u>	<u>Unrestricted</u>
Net assets at beginning of year	\$ 1,087,991	\$ 2,157,244
Increase (decrease) in net assets	<u>(283,802)</u>	<u>(1,069,253)</u>
NET ASSETS AT END OF YEAR	<u>\$ 804,189</u>	<u>\$ 1,087,991</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,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (283,802)	\$ (1,069,253)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	15,140	16,528
(Gains) losses on marketable securities	(147,909)	667,509
Investment (gains) losses - partnership	13,233	(325)
(Increase) decrease in:		
Accounts receivable	(3,880)	7,045
Prepaid expenses	6,176	(759)
Increase (decrease) in:		
Accounts payable and accrued expenses	6,370	(3,361)
Deferred revenue	(11,310)	3,108
NET CASH USED IN OPERATING ACTIVITIES	(405,982)	(379,508)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of marketable securities	(398,577)	(1,439,142)
Sale of marketable securities	788,701	1,792,035
NET CASH PROVIDED BY INVESTING ACTIVITIES	390,124	352,893
NET DECREASE IN CASH AND CASH EQUIVALENTS	(15,858)	(26,615)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR - NOTE A	123,916	150,531
CASH AND CASH EQUIVALENTS AT END OF YEAR - NOTE A	\$ 108,058	\$ 123,916

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

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 and 2008

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Organization maintains a national legal research center to assist law enforcement agencies. They 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

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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 reported at their fair values in 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 as follows:

Building and improvements	5– 40 years
Furniture and equipment	3 – 7 years

Depreciation expense amounted to \$15,140 and \$16,528 for the years ended December 31, 2009 and 2008, respectively.

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008

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, 2009 and 2008, the uninsured cash balance was \$28,438 and \$67,573 respectively.

Deferred Revenue

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

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, there are certain unrelated activities which are subject to income taxation. As such, a provision for federal and state taxes in the amount of \$903 is reflected on the financial statement for years ended December 31, 2009 and 2008, respectively.

Financial Statement Presentation

The Organization has presented its financial statements in accordance with generally accepted accounting principles for not-for-profit organizations. Under this guidance, 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, 2009 and 2008

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, 2009 and 2008, the book value of the Organization's 13.89% interest amounted to \$(167,182) and \$(153,949), respectively. A summary of financial information of Spectrum, LLC as of December 31, 2009 and 2008 is shown below:

	<u>2009</u>	<u>2008</u>
Net assets	\$ 2,149,355	\$2,032,666
Net liabilities	\$ 2,507,039	\$2,295,136
Net sales	\$ 911,567	\$ 789,383
Net income	\$ (95,210)	\$ 2,341

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 have been accrued for the years ended December 31, 2009 and 2008, respectively.

NOTE D -- MARKETABLE SECURITIES

Marketable securities are stated at fair value and consist of equity securities. As of December 31, 2009 and 2008, the Organization had unrealized holding gains (losses) on these securities as follows:

	<u>2009</u>	<u>2008</u>
Market value	\$ 711,524	\$ 953,739
Original cost	\$ <u>671,725</u>	\$ <u>1,249,048</u>
Unrealized (loss) gain	\$ <u>39,799</u>	\$ <u>(295,309)</u>

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 and 2008

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.

NOTE F – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 06, 2010, the date which the financial statements were available to be issued.