

**Americans for Effective Law Enforcement, Inc.**

**Financial Statements**

**Years Ended December 31, 2010 (Unaudited) and 2009 (Audited)**

RECEIVED  
A.E.L.E.

June 07, 2011

SCANNED

# **Americans for Effective Law Enforcement, Inc.**

## **Table of Contents**

For the Years Ended December 31, 2010 (Unaudited) and  
December 31, 2009 (Audited)

	Page No.
INDEPENDENT ACCOUNTANT'S REVIEW REPORT	1
FINANCIAL STATEMENTS	
Comparative Statements of Financial Position	2
Comparative Statements of Activities	4
Comparative Statements of Cash Flows	6
Notes to Financial Statements	7

1420 RENAISSANCE DR • SUITE 205  
PARK RIDGE, IL 60068  
PHONE: 847-759-6100  
FAX: 847-759-8144

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying statement of financial position of Americans for Effective Law Enforcement, Inc. (a nonprofit organization) as of December 31, 2010, and the related statements of activities and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion

The Organization is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2010 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The financial statements for the year ended December 31, 2009, were audited by other auditors, and they expressed an unqualified opinion on them in their reported dated May 6, 2010, but they have not performed any auditing procedures since that date.

SULLIVAN AND JOHNSON, LTD.

June 2, 2011

# Americans for Effective Law Enforcement, Inc.

## Comparative Statements of Financial Position

December 31, 2010 (Unaudited) and December 31, 2009 (Audited)

	2010	2009
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 53,538	\$ 108,058
Marketable securities	462,485	711,524
Accounts receivable	20,065	10,530
Prepaid expenses	<u>20,280</u>	<u>27,709</u>
<b>Total Current Assets</b>	<b><u>556,369</u></b>	<b><u>857,821</u></b>
<b>Property and Equipment</b>		
Building and improvements	565,634	565,634
Furniture and equipment	<u>104,859</u>	<u>104,859</u>
	670,493	670,493
Less: accumulated depreciation	<u>(296,135)</u>	<u>(282,010)</u>
<b>Total Net Property and Equipment</b>	<b><u>374,358</u></b>	<b><u>388,483</u></b>
<b>Other Assets</b>		
Investment - partnership	<u>(159,114)</u>	<u>(167,182)</u>
<b>Total Other Assets</b>	<b><u>(159,114)</u></b>	<b><u>(167,182)</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 771,613</u></b>	<b><u>\$ 1,079,121</u></b>

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT

# Americans for Effective Law Enforcement, Inc.

## Comparative Statements of Financial Position

December 31, 2010 (Unaudited) and December 31, 2009 (Audited)

	2010	2009
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 23,762	\$ 28,384
Accrued real estate taxes	14,182	22,776
Accrued vacation	97,796	168,834
Income taxes payable	(1,031)	903
Deferred revenue	48,104	54,035
<b>Total Current Liabilities</b>	<b>182,813</b>	<b>274,932</b>
<b>Total Liabilities</b>	<b>182,813</b>	<b>274,932</b>
<b>Net Assets</b>		
Unrestricted net assets	588,800	804,189
<b>Total Net Assets</b>	<b>588,800</b>	<b>804,189</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 771,613</b>	<b>\$ 1,079,121</b>

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT

# Americans for Effective Law Enforcement, Inc.

## Comparative Statements of Activities

For the Years Ended December 31, 2010 (Unaudited) and December 31, 2009 (Audited)

	2010	2009
<b>REVENUES</b>		
Workshops (net of discounts)	\$ 275,390	\$ 328,204
Investment income	13,267	18,392
Realized gains (losses) on marketable securities	29,853	108,110
Unrealized gains (losses) on marketable securities	14,454	39,799
Investment gain (loss) - partnership	8,186	(13,233)
<b>TOTAL REVENUES</b>	<b>341,150</b>	<b>481,272</b>
<b>EXPENSES</b>		
Workshops	132,348	194,883
Salaries and wages	114,074	217,315
Payroll taxes	13,054	15,162
Amicus briefs	2,502	-
Board expenses	2,292	-
Building maintenance	2,476	-
Computer expense	3,217	1,322
Depreciation	14,124	15,140
Insurance	85,211	103,613
Investment management fees	7,162	11,625
Law library and subscriptions	13,899	15,490
Miscellaneous	30	27
Office supplies	2,884	2,679
Outside services	32,533	35,912
Postage and shipping	13,956	20,553
Printing	448	-
Professional fees	7,805	8,350
Professional writing	51,444	50,302
Publications	18,516	19,344
Real estate taxes	5,588	21,419
Taxes and service charges	10,841	10,203
Telephone	5,799	5,205

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT

# Americans for Effective Law Enforcement, Inc.

## Comparative Statements of Activities

For the Years Ended December 31, 2010 (Unaudited) and December 31, 2009 (Audited)

	2010	2009
Travel and entertainment	7,585	7,611
Utilities	8,750	8,918
<b>TOTAL EXPENSES</b>	<b>556,539</b>	<b>765,073</b>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	<b>(215,389)</b>	<b>(283,801)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>804,189</b>	<b>1,087,990</b>
<b>NET ASSETS AS OF END OF YEAR</b>	<b>\$ 588,800</b>	<b>\$ 804,189</b>

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT

# Americans for Effective Law Enforcement, Inc.

## Comparative Statements of Cash Flows

For the Years Ended December 31, 2010 (Unaudited) and December 31, 2009 (Audited)

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (215,389)	\$ (283,801)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	14,124	15,140
Realized losses (gains ) on marketable securities	(29,853)	(108,110)
Unrealized losses (gains) on marketable securities	(14,454)	(39,799)
Investment loss (gain) - partnership	(8,068)	13,233
(Increase) decrease in:		
Accounts receivable	(9,535)	(3,880)
Prepaid expenses	7,429	6,176
Increase (decrease) in:		
Accounts payable	(4,622)	6,370
Deferred revenue	(5,931)	(11,311)
Other liabilities	(81,567)	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>(347,866)</b>	<b>(405,982)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of marketable securities	(144,965)	(398,577)
Proceeds from sale of marketable securities	438,311	788,701
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>293,346</b>	<b>390,124</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
	-	-
<b>NET CASH FLOW PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(54,520)</b>	<b>(15,858)</b>
Cash and cash equivalents as of beginning of the year	108,058	123,916
<b>CASH AND CASH EQUIVALENTS AS OF END OF YEAR</b>	<b>\$ 53,538</b>	<b>\$ 108,058</b>

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT



# **Americans for Effective Law Enforcement, Inc.**

## **Notes to Financial Statements**

For the Years Ended June 30, 2010 and June 30, 2009

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Organization and Nature of Activities**

Americans for Effective Law Enforcement, Inc. (AELE) 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 law enforcement issues.

#### **Basis of Accounting**

The accompanying financial statements have been prepared on the accrual method of accounting in accordance with generally accepted accounting principles and accordingly reflect all significant receivables, payables, and other liabilities.

The net assets of the organization are all classified as unrestricted, which represents the portion of expendable net assets that are available for operations.

#### **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.

#### **Impact on Accounting and Reporting of New Pronouncements**

The financial accounting and reporting principles currently adopted by AELE which affect reported amounts, presentations and related disclosures are subject to change from time to time based on new pronouncement and/or rules issued by various governmental agencies. New pronouncements not yet in effect as of December 31, 2010, are not expected to have any significant impact on AELE's financial position and results of operations.

# **Americans for Effective Law Enforcement, Inc.**

## **Notes to Financial Statements**

For the Years Ended June 30, 2010 and June 30, 2009

### **Cash Equivalents and Concentrations of Custodial Risk**

Cash equivalents are considered to be highly liquid depository accounts with a maturity of less than 90 days. Under the Federal bailout program, the FDIC announced that, effective November 15, 2008, all transactional and non-interest bearing bank accounts are fully guaranteed regardless of balance until December 31, 2013. In addition, all interest-bearing accounts are fully insured up to \$250,000.

### **Investments**

AELE accounts for investments in marketable securities at their fair values as of the date of the Statement of Financial Position. Realized and unrealized gains and losses are included in the change in net assets for the period.

### **Accounts Receivable**

The accounts receivable arise in the normal course of business. It is the policy of management to review the outstanding accounts receivable at year end, as well as the bad debt write-offs experienced in the past, and write off all balances they feel are uncollectible amounts. This direct write-off method does not produce results that are materially different than the allowance for doubtful accounts method.

### **Property and Equipment**

Property and equipment are capitalized at cost. It is AELE's policy to capitalize expenditures for these items in excess of \$1,000. Lesser amounts are expensed. Furniture and equipment is being depreciated over estimated useful lives of three to seven years using a straight-line method, with a half of a year's depreciation recognized in the years of acquisition and disposal. Building and improvements are being depreciated over estimated useful lives of five to forty years using the straight-line method. Depreciation expense for the years ended December 31, 2010 and 2009 was \$14,124 and \$15,140, respectively.

# **Americans for Effective Law Enforcement, Inc.**

## **Notes to Financial Statements**

For the Years Ended June 30, 2010 and June 30, 2009

### **Deferred Revenue**

Deferred revenue is shown in the statements of financial position. These amounts are prepayments of workshop fees applicable to future periods.

### **Tax-Exempt Status**

The Internal Revenue Service has issued a determination letter that AELE is a nonprofit organization, as defined under Section 501(c)(3) of the Internal Revenue Code. As such, AELE is generally exempt from federal and state income taxes. In addition, AELE has been classified as an organization other than a private foundation under Section 509(a).

### **Income Tax Matters**

Effective January 1, 2010, AELE adopted ASC 740-10-50-15, Accounting for Uncertainty in Income Taxes, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities.

AELE has analyzed tax positions taken for filing with the Internal Revenue Service and the state jurisdiction where it operates. AELE believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on AELE's financial condition, results of operations, or cash flows. Accordingly, AELE has not recorded any reserves, or related accruals for interest and penalties for uncertain tax positions at December 31, 2010.

Income tax returns filed by AELE are subject to examination by tax authorities until May 15, 2014.

AELE files Form 990, Information Return of an Exempt Organization with the Federal government. The Organization also files an information return with the Illinois Attorney General's office.

# **Americans for Effective Law Enforcement, Inc.**

## **Notes to Financial Statements**

For the Years Ended June 30, 2010 and June 30, 2009

### **Fair Value Measurements**

For financial statement elements currently required to be measured at fair value, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability regardless of whether an observable liquid market price existed (an exit price). An exit price valuation includes margins for risk even though they are not observable. As AELE is released from risk, the margins for risk are also released through net capital gains (losses) in change in net assets. Accounting standards provide guidance on how to measure fair value, and establishes a fair value hierarchy which prioritizes the inputs to the valuation techniques used to measure exit prices.

Level 1: Measurement based upon quoted prices for identical assets in an active market as of the reporting date.

Level 2: Measurement based upon marketplace inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Measurement based on AELE's assumptions about a hypothetical marketplace because observable market inputs are not available as of the reporting date.

AELE uses appropriate valuation techniques based on the available inputs to measure the fair values of its assets and liabilities. When available, AELE measures fair value using Level 1 inputs because they generally provide the most reliable evidence off air value. Level 3 inputs have the lowest priority.

# Americans for Effective Law Enforcement, Inc.

## Notes to Financial Statements

For the Years Ended June 30, 2010 and June 30, 2009

### Reclassifications

Certain items in the financial statements as of and for the year ended December 31, 2009 have been reclassified for presentation purposes.

### NOTE 2 – CONCENTRATION OF CUSTODIAL RISK

AELE considers its checking and money market accounts to be cash and cash equivalents. As of December 31, 2010 and 2009, the Organization's uninsured cash balances totaled \$0 and \$0, respectively.

### NOTE 3 – MARKETABLE SECURITIES

The Organization's marketable securities consist of equity securities. As of December 31, 2010 and 2009, the Organization had unrealized gains (losses) on these securities as follows:

	<u>2010</u>	<u>2009</u>
Market value	\$ 462,485	\$ 711,524
Original cost	<u>448,031</u>	<u>671,725</u>
Unrealized gain (loss)	<u>\$ 14,454</u>	<u>\$ 39,799</u>

### NOTE 4 – BUILDING PURCHASE

In August 2000, AELE purchased a building in Park Ridge, Illinois for its own exclusive use for \$495,000 in cash. AELE is required to pay real estate taxes as they are regularly assessed. Real estate taxes amounting to \$14,182 and \$22,776 have been accrued for the years ended December 31, 2010 and 2009, respectively.

# Americans for Effective Law Enforcement, Inc.

## Notes to Financial Statements

For the Years Ended June 30, 2010 and June 30, 2009

### NOTE 5 – INVESTMENT – PARTNERSHIP

In 1993, AELE 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, 2010 and 2009, the book value of the Organization's 13.89% interest amounted to \$(159,114) and \$(167,182), respectively. A summary of financial information of Spectrum, LLC as of December 31, 2010 and 2009 is shown below:

	<u>2010</u>	<u>2009</u>
Net assets	\$ 2,159,801	\$ 2,149,355
Net liabilities	2,459,438	2,507,039
Net sales	945,867	911,567
Net income	58,048	(95,210)

### NOTE 6 – COMPENSATED ABSENCES

AELE has a vesting vacation policy for its full-time employees. The amounts of existing vacation time remaining as of December 31, 2010 and 2009 were \$97,796 and \$168,834, respectively.

### NOTE 7 – POSTRETIREMENT PLAN

AELE 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 AELE 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 AELE for at least 25 years, and are still employed at the Organization at age 62.

# **Americans for Effective Law Enforcement, Inc.**

## **Notes to Financial Statements**

For the Years Ended June 30, 2010 and June 30, 2009

And who retire, work part-time or work in an unpaid or reduced compensation 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 8 – SUBSEQUENT EVENTS**

Management has reviewed subsequent events and transactions which occurred after December 31, 2010 through the date of the accountant's audit report on these financial statements, which is the date that the financial statements were available for release. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with accounting principles generally accepted in the United States. Management has also determined that there are no non-recognized subsequent events which require additional disclosure in order for these financial statements to not be misleading.