SULLIVAN & JOHNSON LTD. CERTIFIED PUBLIC ACCOUNTANTS

Americans for Effective Law Enforcement, Inc.

Financial Statements

Years Ended December 31, 2011 and 2010

Americans for Effective Law Enforcement, Inc.

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For the Years Ended December 31, 2011 and December 31, 2010

SULLIVAN & JOHNSON LTD.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization 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

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

Sullivan and Johnson, Ltd.

May 21, 2012

Americans for Effective Law Enforcement, Inc.

Comparative Statements of Financial Position

December 31, 2011 and December 31, 2010

	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents	$ 86,354	$ 55,328
Marketable securities	218,168	460,695
Accounts receivable	12,815	20,065
Prepaid expenses	8,388	20,280
Total Current Assets	**325,725**	**556,369**
Property and Equipment		
Building and improvements	565,634	565,634
Furniture and equipment	104,859	104,859
	670,493	670,493
Less: accumulated depreciation	(310,259)	(296,135)
Total Net Property and Equipment	**360,234**	**374,358**
Other Assets		
Investment - partnership	(152,319)	(159,114)
Total Other Assets	**(152,319)**	**(159,114)**
TOTAL ASSETS	**$ 533,640**	**$ 771,613**

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Americans for Effective Law Enforcement, Inc.

Comparative Statements of Financial Position

December 31, 2011 and December 31, 2010

	2011	2010
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 17,199	$ 23,762
Accrued real estate taxes	14,182	14,182
Accrued vacation	57,117	97,796
Income taxes payable	(1,046)	(1,031)
Deferred revenue	66,840	48,104
Total Current Liabilities	**154,292**	**182,813**
Total Liabilities	**154,292**	**182,813**
Net Assets		
Unrestricted net assets	379,348	588,800
Total Net Assets	**379,348**	**588,800**
TOTAL LIABILITIES AND NET ASSETS	**$ 533,640**	**$ 771,613**

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, 2011 and December 31, 2010

	2011	2010
REVENUES		
Workshops (net of discounts)	$ 246,978	$ 275,390
Miscellaneous income	63	-
Accrued vacation adjustment	40,679	71,038
Investment income	6,564	13,267
Realized gains (losses) on marketable securities	28,849	29,853
Unrealized gains (losses) on marketable securities	(40,553)	14,454
Investment gain (loss) - partnership	6,784	8,186
TOTAL REVENUES	**289,365**	**412,188**
EXPENSES		
Workshops	115,255	132,348
Salaries and wages	105,869	185,112
Payroll taxes	9,363	13,054
Amicus briefs	-	2,502
Board expenses	50	2,292
Building maintenance	7,263	2,476
Computer expense	560	3,217
Depreciation	14,124	14,124
Insurance	86,848	85,211
Investment management fees	6,018	7,162
Law library and subscriptions	12,379	13,899
Miscellaneous	10	30
Office supplies	3,317	2,884
Outside services	20,397	32,533
Postage and shipping	13,277	13,956
Printing	-	448
Professional fees	8,058	7,805
Professional writing	33,211	51,444
Publications	13,680	18,516
Real estate taxes	15,212	5,588
Taxes and service charges	14,796	10,841

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, 2011 and December 31, 2010

	2011	2010
Telephone	5,032	5,799
Travel and entertainment	6,098	7,585
Utilities	8,001	8,750
TOTAL EXPENSES	**498,817**	**627,577**
CHANGE IN UNRESTRICTED NET ASSETS	**(209,452)**	**(215,389)**
NET ASSETS AT BEGINNING OF YEAR	**588,800**	**804,189**
NET ASSETS AS OF END OF YEAR	**$ 379,348**	**$ 588,800**

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, 2011 and December 31, 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (209,452)	$ (215,389)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	14,124	14,124
Realized losses (gains) on marketable securities	(28,849)	(29,853)
Unrealized losses (gains) on marketable securities	40,553	(14,454)
Investment loss (gain) - partnership	(6,784)	(8,186)
(Increase) decrease in:		
Accounts receivable	7,250	(9,535)
Prepaid expenses	11,892	7,429
Increase (decrease) in:		
Accounts payable	(6,563)	(4,622)
Deferred revenue	18,736	(5,931)
Other liabilities	(40,664)	(81,449)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**(199,758)**	**(347,866)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of marketable securities	(151,862)	(143,175)
Proceeds from sale of marketable securities	384,436	438,311
NET CASH USED BY INVESTING ACTIVITIES	**232,574**	**295,136**
CASH FLOWS FROM FINANCING ACTIVITIES		
	-	-
NET CASH FLOW PROVIDED (USED) BY FINANCING ACTIVITIES	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**32,816**	**(52,730)**
Cash and cash equivalents as of beginning of the year	53,538	108,058
CASH AND CASH EQUIVALENTS AS OF END OF YEAR	**$ 86,354**	**$ 55,328**

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Americans for Effective Law Enforcement, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2011 and December 31, 2010

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, 2011, 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 December 31, 2011 and December 31, 2010

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, 2011 and 2010 was $14,124 and $14,124, respectively.

Deferred Revenue

Deferred revenue is shown in the statements of financial position. These amounts are advanced receipts 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 additions, 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 affect 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, 2011.

Income tax returns filed by AELE are subject to examination by tax authorities until May 15, 2015.

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.

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 of fair value. Level 3 inputs have the lowest priority.

Americans for Effective Law Enforcement, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2011 and December 31, 2010

Reclassifications

Certain items in the financial statements as of and for the year ended December 31, 2010 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, 2011 and 2010, 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, 2011 and 2010, the Organization had unrealized gains (losses) on these securities as follows:

	2011	2010
Market value	$ 218,168	$ 460,696
Original cost	234,514	408,515
Unrealized gain (loss)	$ (16,346)	$ 52,181

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 $14,182 have been accrued for the years ended December 31, 2011 and 2010, respectively.

Americans for Effective Law Enforcement, Inc.

Notes to Financial Statements

For the Years Ended December 31, 2011 and December 31, 2010

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, 2011 and 2010, the book value of the Organization's 13.89% interest amounted to $(152,319) and $(159,114), respectively. A summary of financial information of Spectrum, LLC as of December 31, 2011 and 2010 is shown below:

	2011	2010
Net assets	$ 1,972,610	$ 2,159,801
Net liabilities	2,405,685	2,459,438
Net sales	943,778	945,867
Net income	48,896	58,048

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, 2011 and 2010 were $57,117 and $97,796, 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, 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, 2011 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.