AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.

Financial Statements

Years Ended December 31, 2001 and 2000

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, 2001 and 2000, 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, 2001 and 2000, 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 & Co.

Skokie, Illinois

May 2, 2002

STATEMENTS OF FINANCIAL POSITION

	December 31, 2001	December 31, 2000
ASSETS		
CURRENT ASSETS		
Cash in checking accounts	$ 33,848	$ 49,174
Cash in savings and short-term investments - Note A	638,415	999,894
Marketable securities - Note D	1,369,861	1,410,545
Accounts receivable - Note A	13,659	19,744
Prepaid expenses	62,352	22,112
TOTAL CURRENT ASSETS	2,118,135	2,501,469
PROPERTY AND EQUIPMENT - Notes A and C		
Building and improvements	564,193	563,203
Furniture and equipment	89,374	77,212
TOTAL PROPERTY AND EQUIPMENT	653,567	640,415
Less accumulated depreciation	86,510	54,755
NET PROPERTY AND EQUIPMENT	567,057	585,660
OTHER ASSETS		
Investment--partnership - Note B	(131,858)	(129,695)
TOTAL ASSETS	$ 2,553,334	$ 2,957,434

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 $31,754 and $15,154 for the years ended December 31, 2001 and 2000, respectively.

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, 2001 and 2000, the Organization's uninsured cash balances totaled $593,973 and $964,093, 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. There were contributions of $0 received in 2001 and $150 in 2000.

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. During 1999 and 1998, the Organization reported losses from unrelated activities and, therefore, paid no income taxes. At December 31, 2001, a loss carry-forward of approximately $35,000 exists to offset future income from unrelated activities.

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, 2001 and 2000, the value of the Organization's 13.88% interested amounted to $(131,858) and $(129,695), respectively. A summary of financial information of Spectrum, LLC as of December 31, 2001 and 2000 is shown below:

	2001	2000
Net assets	$ (55,645)	$ (40,053)
Net sales	$ 975,640	$ 970,263
Net income (loss)	$ 34,408	$ (3,957)

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. In conjunction with this purchase, the Organization applied for charitable organization status with the State of Illinois for the purpose of obtaining an exemption of approximately $20,000 in annual county real estate taxes. This application is currently pending and an outcome is deemed indeterminable at this time.

Until a final decision is reached on this application, the Organization is required to pay the real estate taxes as they are regularly assessed. In the event the exemption is granted, all taxes since the date of occupancy will be refunded. Consequently, taxes amounting to $20,345 have been accrued for the year ended December 31, 2001.

NOTE D -- MARKETABLE SECURITIES

Marketable securities are stated at fair value and consist of equity securities. As of December 31, 2001 and 2000, the Organzation had unrealized holding gains on these securities as follows:

	2001	2000 .
Market value	$ 1,369,861	$ 1,410,545
Original cost	(1,302,636)	1,240,057
Unrealized gain	$ 67,225	$ 170,488

NOTE E -- SUBSEQUENT EVENT – 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. Pursuant to the Agreement, which is effective January 1, 2002, the Organization will produce a joint publication, which includes two publications owned by AELE and a single publication owned by 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.