

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

Financial Statements

Years Ended December 31, 2012 and 2011

# Americans for Effective Law Enforcement, Inc.

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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, 2012 and 2011, 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 30, 2013

# Americans for Effective Law Enforcement, Inc.

## Comparative Statements of Financial Position

December 31, 2012 and December 31, 2011

	2012	2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 90,737	\$ 86,354
Marketable securities	120,465	218,168
Accounts receivable	16,390	12,815
Prepaid expenses	<u>16,831</u>	<u>8,388</u>
<b>Total Current Assets</b>	<b><u>244,423</u></b>	<b><u>325,725</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>(324,383)</u>	<u>(310,259)</u>
<b>Total Net Property and Equipment</b>	<b><u>346,109</u></b>	<b><u>360,234</u></b>
<b>Other Assets</b>		
Investment - partnership	<u>(148,776)</u>	<u>(152,319)</u>
<b>Total Other Assets</b>	<b><u>(148,776)</u></b>	<b><u>(152,319)</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 441,756</u></b>	<b><u>\$ 533,640</u></b>

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT

# Americans for Effective Law Enforcement, Inc.

## Comparative Statements of Financial Position

December 31, 2012 and December 31, 2011

	2012	2011
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 4,921	\$ 17,199
Accrued real estate taxes	14,182	14,182
Accrued vacation	53,273	57,117
Income taxes payable	1,053	(1,046)
Deferred revenue	55,160	66,840
<b>Total Current Liabilities</b>	<b>128,589</b>	<b>154,292</b>
<b>Total Liabilities</b>	<b>128,589</b>	<b>154,292</b>
<b>Net Assets</b>		
Unrestricted net assets	313,167	379,348
<b>Total Net Assets</b>	<b>313,167</b>	<b>379,348</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 441,756</b>	<b>\$ 533,640</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, 2012 and December 31, 2011

	2012	2011
<b>REVENUES</b>		
Workshops (net of discounts)	\$ 286,599	\$ 246,978
Miscellaneous income	-	63
Accrued vacation adjustment	-	40,679
Investment income	4,121	6,564
Realized gains (losses) on marketable securities	17,441	28,849
Unrealized gains (losses) on marketable securities	6,226	(40,553)
Investment gain (loss) - partnership	8,424	6,784
<b>TOTAL REVENUES</b>	<b>322,811</b>	<b>289,365</b>
<b>EXPENSES</b>		
Workshops	100,114	115,255
Salaries and wages	79,008	105,869
Payroll taxes	6,338	9,363
Board expenses	-	50
Building maintenance	-	7,263
Computer expense	4,463	2,542
Depreciation	14,124	14,124
Insurance	51,656	86,848
Investment management fees	3,987	6,018
Law library and subscriptions	11,980	12,379
Miscellaneous	28	10
Office supplies	7,024	3,317
Outside services	16,545	20,397
Postage and shipping	11,576	13,277
Professional fees	12,117	8,058
Professional writing	15,420	33,211
Publications	8,640	13,680
Real estate taxes	15,409	15,212
Taxes and service charges	15,835	14,796
Telephone	5,532	5,032

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, 2012 and December 31, 2011

	2012	2011
Travel and entertainment	4,285	6,098
Utilities	4,910	6,019
<b>TOTAL EXPENSES</b>	<b>388,991</b>	<b>498,817</b>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	<b>(66,181)</b>	<b>(209,452)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>379,348</b>	<b>588,800</b>
<b>NET ASSETS AS OF END OF YEAR</b>	<b>\$ 313,167</b>	<b>\$ 379,348</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, 2012 and December 31, 2011

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (66,181)	\$ (209,452)
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	(17,441)	(28,849)
Unrealized losses (gains) on marketable securities	(6,226)	40,553
Investment loss (gain) - partnership	(8,424)	(6,784)
(Increase) decrease in:		
Accounts receivable	(3,575)	7,250
Prepaid expenses	(8,443)	11,892
Increase (decrease) in:		
Accounts payable	(12,278)	(6,563)
Deferred revenue	(11,680)	18,736
Other liabilities	(1,745)	(40,664)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(121,868)</b>	<b>(199,758)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment partnership distributions	4,864	-
Purchase of marketable securities	(76,288)	(151,862)
Proceeds from sale of marketable securities	197,674	384,436
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>126,250</b>	<b>232,574</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>4,383</b>	<b>32,816</b>
Cash and cash equivalents as of beginning of the year	86,354	53,538
<b>CASH AND CASH EQUIVALENTS AS OF END OF YEAR</b>	<b>\$ 90,737</b>	<b>\$ 86,354</b>

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, 2012 and December 31, 2011

### **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, 2012, 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, 2012 and December 31, 2011

### **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, 2012 and 2011 was \$14,124 and \$14,124, respectively.

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

## **Notes to Financial Statements**

For the Years Ended December 31, 2012 and December 31, 2011

### **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, 2012.

Income tax returns filed by AELE are subject to examination by tax authorities until May 15, 2016.

AELE files Form 990, Information Return of an Exempt Organization with the Federal government. AELE also files federal Form 990-T and Illinois Form 990-T to report unrelated business income from the investment partnership partially owned by AELE (see Note 5). 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 December 31, 2012 and December 31, 2011

### **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, 2012 and December 31, 2011

### NOTE 2 – CONCENTRATION OF CUSTODIAL RISK

AELE considers its checking and money market accounts to be cash and cash equivalents. As of December 31, 2012 and 2011, 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, 2012 and 2011, the Organization had unrealized gains (losses) on these securities as follows:

	<u>2012</u>	<u>2011</u>
Market value	\$ 120,465	\$ 218,168
Original cost	<u>104,058</u>	<u>234,514</u>
Unrealized gain (loss)	<u>\$ 16,407</u>	<u>\$ (16,346)</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 \$14,182 have been accrued for the years ended December 31, 2012 and 2011, respectively.

### 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, 2012 and 2011, the book value of the Organization's 13.89% interest amounted to \$(148,776) and \$(152,319), respectively. A summary of financial information of Spectrum, LLC as of December 31, 2012 and 2011 is shown below:

# Americans for Effective Law Enforcement, Inc.

## Notes to Financial Statements

For the Years Ended December 31, 2012 and December 31, 2011

	<u>2012</u>	<u>2011</u>
Net assets	\$ 1,883,533	\$ 1,972,610
Net liabilities	2,291,114	2,405,685
Net sales	873,280	943,778
Net income	60,493	48,896

### 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, 2012 and 2011 were \$53,273 and \$57,117, 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.

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

## **Notes to Financial Statements**

For the Years Ended December 31, 2012 and December 31, 2011

### **NOTE 8 – SUBSEQUENT EVENTS**

Management has reviewed subsequent events and transactions which occurred after December 31, 2012 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.