

Cheryl Rohlfs & Associates, Ltd.

Certified Public Accountants

**AMERICANS FOR EFFECTIVE LAW
ENFORCEMENT, INC.**

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014**

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INDEPENDENT AUDITOR'S REPORT

August 3, 2016

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

We have audited the accompanying financial statements of Americans for Effective Law Enforcement, Inc., which comprise the statement of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2015 and 2014, 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.

Cheryl Rohlfs & Associates, Ltd.

CHERYL ROHLFS & ASSOCIATES, LTD.

Northbrook, Illinois

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and Cash Equivalents	\$ 135,548	\$ 168,756
Investments	177,021	175,168
Accounts Receivable	4,665	5,965
Prepaid Expenses	17,421	29,169
Property and Equipment:		
Building	495,335	495,335
Building Improvements	39,406	39,406
Furniture and Equipment	<u>39,073</u>	<u>39,073</u>
	573,814	573,814
Less: Accumulated Depreciation	<u>(268,662)</u>	<u>(255,953)</u>
Total Property and Equipment	<u>305,152</u>	<u>317,861</u>
Other Assets:		
Investment in Real Estate Company	<u>(166,310)</u>	<u>(152,626)</u>
Total Assets	<u>\$ 473,497</u>	<u>\$ 544,293</u>

LIABILITIES AND NET ASSETS

Accounts Payable	\$ 2,154	\$ 16,912
Income Taxes Payable	3,077	-
Accrued Real Estate Taxes	21,786	20,636
Accrued Vacation Pay	46,031	59,798
Deferred Revenues	<u>110,016</u>	<u>180,975</u>
Total Liabilities	<u>183,064</u>	<u>278,321</u>
Net Assets		
Unrestricted Net Assets	<u>290,433</u>	<u>265,972</u>
Total Net Assets	<u>290,433</u>	<u>265,972</u>
Total Liabilities and Net Assets	<u>\$ 473,497</u>	<u>\$ 544,293</u>

See accompanying notes and independent auditor's report.

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
REVENUES:		
Workshops	\$ 404,709	\$ 345,640
Investment Income	15,317	25,307
Miscellaneous Income	168	72
Total Revenues	<u>\$ 420,194</u>	<u>\$ 371,019</u>
EXPENSES:		
Workshops	\$ 128,657	\$ 108,513
Salaries	70,667	86,044
Payroll Taxes	6,506	6,488
Outside Services	17,575	22,297
Building Maintenance	2,052	918
Depreciation	12,708	14,124
Insurance	40,424	40,238
Investment Management Fees	1,558	2,112
Law Library and Subscriptions	12,614	9,937
Miscellaneous	-	854
Office Supplies and Expenses	5,491	9,687
Occupancy	4,975	5,925
Postage and Shipping	12,252	15,180
Professional Fees	9,841	10,141
Professional Writing	15,420	15,420
Publications	8,640	8,640
Real Estate Taxes	22,935	21,971
Income Taxes	2,750	-
Fees and Service Charges	11,721	10,754
Communications	8,223	8,260
Travel Expenses	723	1,618
Bad Debts	-	895
Total Expenses	<u>\$ 395,732</u>	<u>\$ 400,016</u>
DECREASE IN NET ASSETS	\$ 24,462	\$ (28,997)
Net Assets at Beginning of Year	<u>265,972</u>	<u>294,969</u>
Net Assets at End of Year	<u><u>\$ 290,434</u></u>	<u><u>\$ 265,972</u></u>

See accompanying notes and independent auditor's reports.

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in Net Assets	\$ 24,461	\$ (28,997)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	12,708	14,124
Realized Gains on Marketable Securities	(4,921)	(12,562)
Unrealized Gains on Marketable Securities	5,178	(6,292)
Realized Gain in Investment in Real Estate Company	(13,556)	(3,070)
 (Increase) Decrease in Operating Assets:		
Accounts Receivable	1,300	2,780
Prepaid Expenses	11,748	(15,338)
 Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(14,758)	1,196
Income Taxes Payable	(13,767)	(1,659)
Accrued Real Estate Taxes	3,077	1,336
Accrued Vacation Pay	1,150	1,233
Deferred Revenues	<u>(70,959)</u>	<u>88,530</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ (58,339)</u>	 <u>\$ 41,281</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Distributions From Investment in Real Estate Company	\$ 27,240	\$ 8,756
Purchases of Investments	<u>(2,109)</u>	<u>(3,283)</u>
 NET CASH PROVIDED BY INVESTING ACTIVITIES	 <u>\$ 25,131</u>	 <u>\$ 5,473</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:	 <u>\$ -</u>	 <u>\$ -</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 <u>\$ (33,208)</u>	 <u>\$ 46,754</u>
 CASH, BEGINNING OF YEAR	 <u>168,756</u>	 <u>122,002</u>
 CASH, END OF YEAR	 <u><u>\$ 135,548</u></u>	 <u><u>\$ 168,756</u></u>

See accompanying notes and independent auditor's report.

**AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Americans for Effective Law Enforcement, Inc. (Organization) maintains a national legal research center to assist law enforcement agencies. The Organization produces and disseminates legal information through workshops and publications. AELE's Friend of the Court program was founded in 1967 and has filed amicus curiae briefs in the United States Supreme Court and other major courts in support of law enforcement issues.

Financial Statement Presentation

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. As of December 31, 2015 and 2014, the Organization did not have temporarily or permanently restricted net assets.

Cash and Cash Equivalents

The Organization considers cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

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.

Investments

The Organization carries its investments in marketable securities with readily determinable fair values at their fair values in the Statement of Financial Position.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management has chosen not to provide for uncollectible amounts through a provision for bad debt expense. Balances that are still outstanding after management has used reasonable collections efforts are written off through a charge to bad debt expense and a credit to accounts receivable, which have not been material to the financial statements.

Property and Equipment

The Organization capitalized all property and equipment expenditures over \$500. Purchased property and equipment are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Building	40 years
Building Improvements	5-20 years
Equipment and Furniture	3-7 years

Deferred Revenues

Workshop fees received in the current year that are applicable to the subsequent year are recorded as Deferred Revenues.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Internal Revenue Code Section 501(c)(3), except for net income derived from unrelated business activities. The Organization has an investment in a real estate company, and the related income is subject to tax as unrelated business income. The Organization has filed the appropriate tax filings. The Organization believes that it has appropriate support for any tax positions taken, and does not have any uncertain tax positions that are material to the financial statements.

2. FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2015 are as follows:

Fair Value Measurements at Reporting Date Using:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
Investments:				
Marketable Securities	<u>\$ 177,021</u>	<u>\$ 145,478</u>	<u>\$ 31,543</u>	<u>\$ -</u>

Fair values of assets measured on a recurring basis at December 31, 2014 are as follows:

Fair Value Measurements at Reporting Date Using:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
Investments:				
Marketable Securities	<u>\$ 175,168</u>	<u>\$ 175,168</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. Equity securities and equity mutual funds that trade in active markets are valued using quoted market prices and are classified as Level 1. Emerging Traded Products invested in corporate or municipal bonds and government securities are valued at closing price on national exchanges if available, or by using pricing models maximizing the use of observable inputs for similar securities and are classified as Level 2.

3. INVESTMENTS

The Organization invested in the following as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Exchange Traded Products	\$ 177,021	\$ -
Equity Securities	<u>-</u>	<u>175,168</u>
Total	<u>\$ 177,021</u>	<u>\$ 175,168</u>

Investment income is comprised of the following for the year 2015:

	<u>2015</u>	<u>2014</u>
Dividend and Interest Income	\$ 2,018	\$ 3,383
Unrealized Losses	(5,178)	6,292
Realized Gains	4,921	12,562
Realized Gain in Investment in Real Estate Company	<u>13,556</u>	<u>3,070</u>
Total Investment Income	<u>\$ 15,317</u>	<u>\$ 25,307</u>

4. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in a financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2015 and 2014, the Organization did not have cash balances exceeding the federally insured limits.

5. INVESTMENT IN REAL ESTATE COMPANY

Since 1993, the Organization has had an investment in Spectrum, LLC, a real estate limited liability company, which is accounted for on the equity method. The Organization originally invested \$150,000, which later was increased by an additional \$41,640. At December 31, 2015 and 2014, the 13.89% investment in Spectrum, LLC is recorded at \$(166,310) and \$(152,626), respectively. Summary financial information of Spectrum, LLC as of and for the year ended December 31, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Assets	\$ 1,600,969	\$ 1,735,908
Liabilities	2,130,299	\$ 2,161,559
Revenues	906,761	\$ 851,558
Net Income	92,321	\$ 31,716

6. POST-RETIREMENT BENEFIT PLAN

The Organization sponsors a post-retirement plan that covers supplemental health insurance coverage for eligible former or current employees for 4% of the premium cost for each year of full-time service as an employee. Eligible persons include: (1) employees who have over 20 years of service as a full time employee when they reach age 65 and are still employed by the Organization, or employees who have over 25 years of service as a full time employee when they reach age 62 and are still employed by the Organization, and (2) employees who retire, and work part-time or in an unpaid or reduced emeritus status.

The health insurance benefit plan is noncontributory and is unfunded.

7. EVALUATION OF SUBSEQUENT EVENTS

Subsequent events have been considered through August 3, 2016, which was the date the financial statements were available to be issued.