

Cheryl Rohlf & Associates, Ltd.

Certified Public Accountants

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

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020**

CONTENTS

	Page
Independent Auditor's Report	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-13



Cheryl Rohlf & Associates, Ltd.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

July 11, 2022

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

Opinion

We have audited the accompanying financial statements of Americans for Effective Law Enforcement, Inc.'s (an Illinois nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position as of December 31, 2021 and 2020 and the changes in its net assets and its cash flows of Americans for Effective Law Enforcement, Inc. for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Americans for Effective Law Enforcement, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Americans for Effective Law Enforcement, Inc.'s ability to continue as a going concern within one year after the date that financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing and opinion on the effectiveness of Americans for Effective Law Enforcement, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Americans for Effective Law Enforcement, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope of timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CHERYL ROHLFS & ASSOCIATES, LTD.

Northbrook, Illinois

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and Cash Equivalents	\$ 235,666	\$ 146,709
Investments	782,032	763,679
Accounts Receivable	28,195	-
Prepaid Expenses	3,322	5,163
Property and Equipment:		
Furniture and Equipment	4,873	4,873
Website	<u>3,000</u>	<u>3,000</u>
	7,873	7,873
Less: Accumulated Depreciation	<u>(5,277)</u>	<u>(3,302)</u>
Total Property and Equipment	<u>2,596</u>	<u>4,571</u>
Other Assets:		
Investment in Real Estate Company	<u>(160,416)</u>	<u>(150,921)</u>
Total Assets	<u>\$ 891,395</u>	<u>\$ 769,201</u>
LIABILITIES AND NET ASSETS		
Paycheck Protection Program Loan Payable	\$ -	\$ 12,000
Accounts Payable	3,532	1,537
Accrued Vacation Pay	18,968	20,817
Income Tax Payable	293	-
Deferred Revenues	<u>132,220</u>	<u>7,150</u>
Total Liabilities	<u>155,013</u>	<u>41,504</u>
Net Assets		
Without Donor Restrictions	<u>736,382</u>	<u>727,697</u>
Total Net Assets	<u>736,382</u>	<u>727,697</u>
Total Liabilities and Net Assets	<u>\$ 891,395</u>	<u>\$ 769,201</u>

See accompanying notes and independent auditor's report.

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Changes in Net Assets Without Donor Restrictions:		
Revenues and Gains:		
Government Grants	\$ 23,000	\$ -
Workshops	178,815	303,655
Webinars and Subscriptions	-	3,392
Investment Income, net of investment expenses of \$9,032 in 2021 and \$7,780 in 2020	50,985	105,205
Miscellaneous Income	2,532	-
Total Revenues and Gains Without Donor Restrictions	<u>\$ 255,332</u>	<u>\$ 412,252</u>
Expenses:		
Program Services	\$ 190,638	\$ 241,170
Supporting Services		
Management and General	56,009	90,624
Total Expenses	<u>\$ 246,647</u>	<u>\$ 331,794</u>
Increase in Net Assets Without Donor Restrictions	\$ 8,685	\$ 80,458
Net Assets at Beginning of Year	<u>727,697</u>	<u>647,239</u>
Net Assets at End of Year	<u><u>\$ 736,382</u></u>	<u><u>\$ 727,697</u></u>

See accompanying notes and independent auditor's reports.

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>Program</u>	<u>Management and General</u>	<u>2021 Total</u>
Compensation and Related Expenses:			
Compensation	\$ 66,227	\$ 28,383	\$ 94,610
Payroll Taxes	5,867	2,514	8,381
	<u>72,094</u>	<u>30,897</u>	<u>102,991</u>
Professional Fees and Contract Services	10,383	10,014	20,397
Workshops	88,238	-	88,238
Communications	1,380	-	1,380
Computer Expenses	7,269	-	7,269
Law Library and Subscriptions	6,788	-	6,788
Office Supplies and Expenses	-	2,632	2,632
Postage and Shipping	1,253	-	1,253
Insurance	3,072	1,244	4,316
Travel Expense	161	-	161
Fees and Service Charges	-	7,965	7,965
Income Taxes	-	1,182	1,182
Miscellaneous	-	100	100
Total Expenses Before Depreciation	<u>\$ 190,638</u>	<u>\$ 54,034</u>	<u>\$ 244,672</u>
Depreciation	<u>-</u>	<u>1,975</u>	<u>1,975</u>
TOTAL EXPENSES	<u><u>\$ 190,638</u></u>	<u><u>\$ 56,009</u></u>	<u><u>\$ 246,647</u></u>

See accompanying notes and independent auditor's report.

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (CONTINUED)

	Program	Management and General	2020 Total
Compensation and Related Expenses:			
Compensation	\$ 51,218	\$ 21,500	\$ 72,718
Payroll Taxes	3,748	1,607	5,355
	<u>54,966</u>	<u>23,107</u>	<u>78,073</u>
Professional Fees and Contract Services	8,814	36,190	45,004
Workshops	99,546	-	99,546
Communications	1,640	-	1,640
Computer Expenses	5,593	-	5,593
Publications	8,712	-	8,712
Professional Writing	19,698	-	19,698
Law Library and Subscriptions	7,827	-	7,827
Webinars	1,037	-	1,037
Office Supplies and Expenses	-	3,776	3,776
Postage and Shipping	3,279	-	3,279
Occupancy	3,006	1,288	4,294
Insurance	27,052	2,967	30,019
Board Expenses	-	1,720	1,720
Loss on Disposal of Assets	-	903	903
Fees and Service Charges	-	6,949	6,949
Income Taxes	-	11,468	11,468
Miscellaneous	-	75	75
Total Expenses Before Depreciation	<u>\$ 241,170</u>	<u>\$ 88,443</u>	<u>\$ 329,613</u>
Depreciation	-	2,181	2,181
TOTAL EXPENSES	<u><u>\$ 241,170</u></u>	<u><u>\$ 90,624</u></u>	<u><u>\$ 331,794</u></u>

See accompanying notes and independent auditor's report.

AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in Net Assets	\$ 8,685	\$ 80,458
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	1,975	2,181
Forgiveness of Paycheck Protection Plan Loans	(23,000)	-
Realized Loss on Disposal of Equipment	-	903
Realized Gains on Marketable Securities	(45,958)	(40,670)
Unrealized (Gains) Losses on Marketable Securities	16,457	(49,955)
Realized Gains in Investment in Real Estate Company	(12,726)	(11,766)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(28,195)	-
Prepaid Expenses	1,841	17,632
Security Deposit	-	1,696
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	1,995	212
Income Taxes Payable	293	-
Accrued Vacation Pay	(1,849)	2,719
Deferred Revenues	<u>125,070</u>	<u>(188,860)</u>
 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	 <u>\$ 44,588</u>	 <u>\$ (185,450)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Distributions From Investment in Real Estate Company	\$ 22,221	\$ 4,170
Sales (Purchases) of Investments	11,148	9,128
Purchase of Equipment	<u>-</u>	<u>(4,608)</u>
 NET CASH PROVIDED BY INVESTING ACTIVITIES	 <u>\$ 33,369</u>	 <u>\$ 8,690</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program Loan Payable	<u>\$ 11,000</u>	<u>\$ 12,000</u>
 NET CASH PROVIDED BY FINANCIAL ACTIVITIES	 <u>\$ 11,000</u>	 <u>\$ 12,000</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 <u>\$ 88,957</u>	 <u>\$ (164,760)</u>
 CASH, BEGINNING OF YEAR	 <u>146,709</u>	 <u>311,469</u>
 CASH, END OF YEAR	 <u>\$ 235,666</u>	 <u>\$ 146,709</u>

See accompanying notes and independent auditor's report.

**AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

1. NATURE OF ACTIVITIES

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use of that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, such as those that the donor stipulates that resources be maintained in perpetuity.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

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.

Property and Equipment

The Organization capitalized all property and equipment expenditures more than \$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:

Equipment and Furniture	3-7 years
Website	3 years

Revenue and Revenue Recognition

The Organization recognizes revenue as it satisfies a performance obligation by transferring control over a product or a service to a customer. Revenue is measured at the transaction price, which is based on the amount of consideration that the Organization expects to receive in exchange for transferring the promised good or service to the customer. Program service fees received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

Expense Allocations

The costs of providing program and supporting services have been summarized on a functional basis in Statements of Activities and in the Statements of Functional Expenses. Accordingly, costs have been allocated between the program services and the supporting services in a direct functional method, when applicable, and on the basis of proportional use of the service provided.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Internal Revenue Code Section 501(c)(3). However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization files U.S. federal and Illinois state information returns. The federal and state informational tax returns for tax fiscal year 2019, 2020, and 2021 can be subject to examinations by tax authorities, generally for three years from the date of filing.

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.

3. CHANGE IN ACCOUNTING PRINCIPLES

In February 2016, the Financial Accounting Standards Board (FASB) issued its much anticipated lease accounting standard in ASU 2016-02, *Leases*, (ASC Topic 842) for both lessees and lessors. Under this standard, a lessee will recognize right-of-use asset and related lease liabilities on the statement of financial position for all arrangements with terms longer than 12 months. The goal of the new standard is to streamline the accounting for leases under U.S. generally accepted accounting principles, reduce off-balance-sheet activities, and enhance transparency into liabilities resulting from leasing arrangements. This standard is effective for nonprofit organizations with annual reporting periods beginning after December 15, 2021.

4. CONCENTRATION OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

Bank accounts at financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2021 and 2020, the Organization's cash balances at one financial institution did not exceed the insured amount.

5. INVESTMENTS

The Organization invested in the following as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Equity Securities	\$ 148,716	\$ 172,885
Exchange Traded Products	<u>633,316</u>	<u>590,794</u>
	<u>\$ 782,032</u>	<u>\$ 763,679</u>

Investment income is composed of the following for the years 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Dividend and Interest Income	\$ 17,790	\$ 10,594
Unrealized Gains (Losses)	(16,457)	49,955
Realized Gains	45,958	40,670
Realized Gain in Investment in Real Estate Company	12,726	11,766
Investment Fee Expense	<u>(9,032)</u>	<u>(7,780)</u>
Total Investment Income	<u>\$ 50,985</u>	<u>\$ 105,205</u>

6. FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2021 are as follows:

Fair Value Measurements at Reporting Date Using:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Equity Securities	\$ 148,716	\$ 148,716	\$ -
Exchange Traded Products	<u>633,316</u>	<u>348,216</u>	<u>285,100</u>
	<u>\$ 782,032</u>	<u>\$ 496,932</u>	<u>\$ 285,100</u>

Fair values of assets measured on a recurring basis at December 31, 2020 are as follows:

Fair Value Measurements at Reporting Date Using:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Equity Securities	\$ 172,885	\$ 172,885	\$ -
Exchange Traded Funds	<u>590,794</u>	<u>342,230</u>	<u>248,564</u>
	<u>\$ 763,679</u>	<u>\$ 515,115</u>	<u>\$ 248,564</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 exchange traded funds that trade in active markets are valued using quoted market prices and are classified as Level 1. Exchange traded funds 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.

7. PAYCHECK PROTECTION PROGRAM CONTRIBUTION

The Organization accepted the Paycheck Protection Program Loan in April 2020 for \$12,000. The loan was for a two year term. Interest is at 1% per year of the loan. The PPP loan was forgiven in full in 2021. A second PPP loan was received in 2021 and forgiven in full.

8. INVESTMENT IN REAL ESTATE COMPANY

Since 1993, the Organization has had an investment in Spectrum, LLC, a real estate limited liability company, accounted for on the equity method. The Organization originally invested \$150,000, later increased to \$191,640. At December 31, 2021 and 2020, the 13.89% investment in Spectrum, LLC is recorded at \$(160,416) and \$(150,922), respectively. Summary financial information of Spectrum, LLC as of and for the year ended December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Assets	\$ 1,537,173	\$ 1,711,982
Liabilities	\$ 2,056,536	\$ 1,958,122
Revenues	\$ 771,382	\$ 819,485
Net Income	\$ 73,852	\$ 130,763

9. 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.

10. LEASE COMMITMENT

The Organization had an operating lease agreement for office space, with Spectrum, LLC, the company in which the Organization has an ownership interest. The lease term was to February 29, 2020, with monthly rent of \$1,800 from March 2019 to February 29, 2020. The Organization did not renew the lease in 2020. Employees moved to remote office locations in February 2020.

11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following are the Organization's financial assets as of the date of the statement of financial position, reduced by amounts not available for general use within one year:

Financial Assets at December 31:

	<u>2021</u>	<u>2020</u>
Cash	\$ 235,666	\$ 146,709
Investments	<u>782,032</u>	<u>763,679</u>
Total Financial Assets	\$ 1,017,698	\$ 910,388
Less: amount not available to be used within one year:		
Net Assets with Donor Restrictions	<u>-</u>	<u>-</u>
Financial Assets available to meet general expenditures over the next twelve months	<u>\$ 1,017,698</u>	<u>\$ 910,388</u>

The Organization regularly monitors the availability of resources required to meet its operating needs and commitments, while also striving to maximize the investment of its available funds. In addition to the financial assets available to meet general expenditures over the next twelve months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover the general expenditures of the workshops and webinars and related administration costs. The Organization maintains sufficient reserves to provide reasonable assurance that all commitments will continue to be met, ensuring the sustainability of the Organization.

12. THE COVID-19 PANDEMIC

The COVID-19 global outbreak has caused economic disruption through mandated and voluntary closings of businesses, schools, and organizations. Since March 2020, the Board of Directors and management have been actively monitoring the events and circumstances surrounding the spread of COVID-19 with their primary concern being the health and wellness of the program participants, staff and volunteers.

The Organization has complied with restricting physical gatherings with each phase of Restore Illinois. At this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations for the year ending December 31, 2022, is uncertain.

13. EVALUATION OF SUBSEQUENT EVENTS

Subsequent events have been considered through July 11, 2022, which was the date the financial statements were available to be issued.