

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

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021**

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Cheryl Rohlf & Associates, Ltd.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

July 31, 2023

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, 2022 and 2021, 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, 2022 and 2021 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 an 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, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and Cash Equivalents	\$ 246,840	\$ 235,666
Investments	620,904	782,032
Accounts Receivable	23,802	28,195
Prepaid Expenses	4,113	3,322
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>(6,652)</u>	<u>(5,277)</u>
Total Property and Equipment	<u>1,221</u>	<u>2,596</u>
Other Assets:		
Investment in Real Estate Company	<u>(172,574)</u>	<u>(160,416)</u>
Total Assets	<u><u>\$ 724,306</u></u>	<u><u>\$ 891,395</u></u>
LIABILITIES AND NET ASSETS		
Accounts Payable	\$ 2,183	\$ 3,532
Accrued Vacation Pay	22,543	18,968
Income Tax Payable	-	293
Deferred Revenues	<u>100,785</u>	<u>132,220</u>
Total Liabilities	<u>125,511</u>	<u>155,013</u>
Net Assets		
Without Donor Restrictions	<u>598,795</u>	<u>736,382</u>
Total Net Assets	<u>598,795</u>	<u>736,382</u>
Total Liabilities and Net Assets	<u><u>\$ 724,306</u></u>	<u><u>\$ 891,395</u></u>

See accompanying notes and independent auditor's report.

**AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Changes in Net Assets Without Donor Restrictions:		
Revenues and Gains:		
Government Grants	\$ -	\$ 23,000
Workshops	272,410	178,815
Webinars and Subscriptions	448	-
Investment Income, net of investment expenses of \$4,279 in 2022 and \$9,032 in 2021	(77,600)	50,985
Miscellaneous Income	-	2,532
Total Revenues and Gains Without Donor Restrictions	<u>\$ 195,258</u>	<u>\$ 255,332</u>
Expenses:		
Program Services	\$ 259,706	\$ 190,638
Supporting Services		
Management and General	73,139	56,009
Total Expenses	<u>\$ 332,845</u>	<u>\$ 246,647</u>
Increase in Net Assets Without Donor Restrictions	\$ (137,587)	\$ 8,685
Net Assets at Beginning of Year	<u>736,382</u>	<u>727,697</u>
Net Assets at End of Year	<u><u>\$ 598,795</u></u>	<u><u>\$ 736,382</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, 2022 AND 2021

	<u>Program</u>	<u>Management and General</u>	<u>2022 Total</u>
Compensation and Related Expenses:			
Compensation	\$ 78,522	\$ 33,653	\$ 112,175
Employee Benefits	12,547	5,377	17,924
Payroll Taxes	6,170	2,644	8,814
	<u>97,239</u>	<u>41,674</u>	<u>138,913</u>
Professional Fees and Contract Services	3,625	8,945	12,570
Workshops	128,110	-	128,110
Communications	1,386	-	1,386
Computer Expenses	11,229	-	11,229
Law Library and Subscriptions	7,413	-	7,413
Publications	1,913	-	1,913
Webinar Expenses	428	-	428
Office Supplies and Expenses	-	7,770	7,770
Postage, Shipping and Printing	1,432	-	1,432
Insurance	-	1,674	1,674
Travel Expense	6,931	-	6,931
Board Expenses	-	2,380	2,380
Fees and Service Charges	-	8,873	8,873
Income Taxes	-	447	447
Total Expenses Before Depreciation	<u>\$ 259,706</u>	<u>\$ 71,763</u>	<u>\$ 331,469</u>
Depreciation	<u>-</u>	<u>1,376</u>	<u>1,376</u>
TOTAL EXPENSES	<u><u>\$ 259,706</u></u>	<u><u>\$ 73,139</u></u>	<u><u>\$ 332,845</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, 2022 AND 2021 (CONTINUED)

	<u>Program</u>	<u>Management and General</u>	<u>2021 Total</u>
Compensation and Related Expenses:			
Compensation	\$ 66,227	\$ 28,383	\$ 94,610
Employee Benefits	3,072	-	3,072
Payroll Taxes	5,867	2,514	8,381
	<u>75,166</u>	<u>30,897</u>	<u>106,063</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	-	1,244	1,244
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	\$ 190,638	\$ 54,034	\$ 244,672
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 CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in Net Assets	\$ (137,587)	\$ 8,685
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	1,376	1,975
Forgiveness of Paycheck Protection Plan Loans	-	(23,000)
Realized Gains on Marketable Securities	(36,091)	(45,958)
Unrealized (Gains) Losses on Marketable Securities	128,381	16,457
Realized Gains in Investment in Real Estate Company	(5,909)	(12,726)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	4,393	(28,195)
Prepaid Expenses	(791)	1,841
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(1,349)	1,995
Income Taxes Payable	(293)	293
Accrued Vacation Pay	3,575	(1,849)
Deferred Revenues	<u>(31,435)</u>	<u>125,070</u>
 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	 \$ <u>(75,730)</u>	 \$ <u>44,588</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Distributions From Investment in Real Estate Company	\$ 18,067	\$ 22,221
Sales (Purchases) of Investments	<u>68,837</u>	<u>11,148</u>
 NET CASH PROVIDED BY INVESTING ACTIVITIES	 \$ <u>86,904</u>	 \$ <u>33,369</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program Loan Payable	\$ <u>-</u>	\$ <u>11,000</u>
 NET CASH PROVIDED BY FINANCIAL ACTIVITIES	 \$ <u>-</u>	 \$ <u>11,000</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 \$ 11,174	 \$ 88,957
 CASH, BEGINNING OF YEAR	 <u>235,666</u>	 <u>146,709</u>
 CASH, END OF YEAR	 <u>\$ 246,840</u>	 <u>\$ 235,666</u>

See accompanying notes and independent auditor's report.

**AMERICANS FOR EFFECTIVE LAW ENFORCEMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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 Statements 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 2020, 2021, and 2022 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. CHANGES IN ACCOUNTING PRINCIPLES

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The Update increases transparency around contributed nonfinancial assets (also known as “gifts-in-kind”) received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. The Update is effective for nonprofit organizations for annual reporting periods beginning after June 15, 2021.

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, 2022 and 2021, 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Equity Securities	\$ 304,280	\$ 148,716
Exchange Traded Products	251,370	633,316
Other	<u>65,254</u>	<u>-</u>
	<u>\$ 620,904</u>	<u>\$ 782,032</u>

Investment income is composed of the following for the years 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Dividend and Interest Income	\$ 13,060	\$ 17,790
Unrealized Gains (Losses)	(128,381)	(16,457)
Realized Gains	36,091	45,958
Realized Gain in Investment in Real Estate Company	5,909	12,726
Investment Fee Expense	<u>(4,279)</u>	<u>(9,032)</u>
Total Investment Return	<u>\$ (77,600)</u>	<u>\$ 50,985</u>

6. FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2022 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>
Equity Securities	\$ 304,280	\$ 304,280	\$ -
Exchange Traded Products	251,370	-	251,370
Other	<u>65,254</u>	<u>-</u>	<u>65,254</u>
	<u>\$ 620,904</u>	<u>\$ 304,280</u>	<u>\$ 316,624</u>

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>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
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 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. 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, 2022 and 2021, the 13.89% investment in Spectrum, LLC is recorded at \$(172,574) and \$(160,416), respectively. Summary financial information of Spectrum, LLC as of and for the year ended December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Assets	\$ 1,372,679	\$ 1,537,173
Liabilities	\$ 2,051,658	\$ 2,056,536
Revenues	\$ 823,953	\$ 771,382
Net Income	\$ 16,912	\$ 73,852

8. 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.

9. 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>2022</u>	<u>2021</u>
Cash	\$ 246,840	\$ 235,666
Investments	620,904	782,032
Accounts Receivable	<u>23,802</u>	<u>28,195</u>
Total Financial Assets	\$ 891,546	\$ 1,045,893

Less: amount not available to be used within one year:

Net Assets with Donor Restrictions	<u>-</u>	<u>-</u>
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Financial Assets available to meet general expenditures
over the next twelve months

<u>\$ 891,546</u>	<u>\$ 1,045,893</u>
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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.

10. EVALUATION OF SUBSEQUENT EVENTS

Subsequent events have been considered through July 31, 2023, which was the date the financial statements were available to be issued.