NORTHEASTERN MASSACHUSETTS LAW ENFORCEMENT COUNCIL, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2014

O'BRIEN, FITZGERALD, TAYLOR & KEAVENEY, P.C.

A PROFESSIONAL CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

NORTHEASTERN MASSACHUSETTS LAW ENFORCEMENT COUNCIL, INC.

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O'BRIEN, FITZGERALD, TAYLOR & KEAVENEY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Independent Accountant's Review Report

To the Board of Directors and Stockholders
of Northeastern Massachusetts Law Enforcement Council, Inc.
Wilmington, Massachusetts

We have reviewed the accompanying statement of financial position of Northeastern Massachusetts Law Enforcement Council, Inc. (a Massachusetts non-profit organization) as of December 31, 2014 and the related statements of activities, functional expenses, and cash flows for the year 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 review, 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.

O'Brien, FitzGerald, Taylor & Keaveney, P.C.

Waltham, Massachusetts

March 17, 2015

NORTHEASTERN MASSACHUSETTS LAW ENFORCEMENT COUNCIL, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2014

ASSETS

Current Assets:	
Cash and Cash Equivalents	$ 55,864
Investments	62,130
Accounts Receivable	20,721
Prepaid Expenses	1,935
Total Current Assets	$ 140,650
Property and Equipment:	
Building	$ 69,065
Machinery and Equipment	1,364,611
Motor Vehicles	1,054,664
Computer Equipment	207,550
Total Property and Equipment	$2,695,890
Deduct - Accumulated Depreciation	2,193,695
Net Book Value	$ 502,195
Total Assets	$ 642,845

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts Payable	$ 5,251
Accrued Expenses	8,946
Due to Members	13,795
Current Maturities of Long-Term Debt	1,907
Total Current Liabilities	$ 29,899
Non-Current Liabilities:	
Long-Term Debt	$ 49,991
Net Assets:	
Unrestricted Net Assets	$ 562,955
Total Liabilities and Net Assets	$ 642,845

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT

NORTHEASTERN MASSACHUSETTS LAW ENFORCEMENT COUNCIL, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

Unrestricted Net Assets:	
Revenue and Support:	
Membership Dues	$ 279,360
Contributions-in-Kind	60,515
Assessment Revenue	22,833
Agency Fees	8,706
Unrealized Gain on Investments	3,857
Interest and Dividend Income	1,953
Realized Gain on Investment	1,156
Total Revenue and Support	$ 378,380
Functional Expenses:	
Program Services	$ 298,052
General and Administrative	78,830
Total Functional Expenses	$ 376,882
Change in Unrestricted Net Assets	$ 1,498
Unrestricted Net Assets, Beginning of Year	561,457
Unrestricted Net Assets, End of Year	$ 562,955

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT

NORTHEASTERN MASSACHUSETTS LAW ENFORCEMENT COUNCIL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2014

	Program Services	General and Administrative	2014 Totals
Equipment	$ 23,136	$ -	$ 23,136
Salary	82,045	27,348	109,393
Depreciation	132,815	1,771	134,586
Seminars	2,970	-	2,970
Repairs and Maintenance	7,234	5,233	12,467
Insurance	18,242	-	18,242
Licenses	12,322	-	12,322
Telephone	9,791	3,264	13,055
Plaques		2,051	2,051
Payroll Taxes	6,823	2,274	9,097
Accounting Fees	-	6,500	6,500
Condo Fees	-	2,672	2,672
Office Expenses	-	8,560	8,560
Conferences and Meetings	-	10,092	10,092
Travel	2,191	730	2,921
Miscellaneous		4,216	4,216
Mortgage Interest	-	2,138	2,138
Utilities	-	1,660	1,660
Uniforms	483	-	483
Membership Dues	-	170	170
Postage and Shipping	-	151	151
Total Functional Expenses	$298,052	$ 78,830	$376,882

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT

NORTHEASTERN MASSACHUSETTS LAW ENFORCEMENT COUNCIL, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2014

Cash Provided By(Used In)Operating Activities:	
Change in Net Assets	$ 1,498
Adjustments to Reconcile Change in Net Assets to Cash Provided By(Used In)Operations:	
Net Realized Gain on Investment	(1,156)
Net Unrealized Gain on Investment	(3,857)
Donated Equipment	(55,313)
Depreciation	134,586
(Increase)Decrease in Operating Assets:	
Accounts Receivable	(10,932)
Prepaid Expenses	56
Increase(Decrease) in Operating Liabilities:	
Accounts Payable	2,783
Accrued Expenses	(2,566)
Due to Members	13,795
Net Cash Provided by Operating Activities	$ 78,894
Cash Provided By(Used In)Investing Activities:	
Purchase of Investments	$ (24,807)
Proceeds from Sale of Investment	12,174
Purchase of Property and Equipment	(18,096)
Net Cash Used In Investing Activities	$ (30,729)
Net Cash Used In Financing Activities:	
Payment of Long-Term Debt	(1,809)
Increase in Cash and Cash Equivalents	$ 46,356
Cash and Cash Equivalents, Beginning of Year	9,508
Cash and Cash Equivalents, End of Year	$ 55,864

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT

NORTHEASTERN MASSACHUSETTS LAW ENFORCEMENT COUNCIL, INC.

STATEMENT OF CASH FLOWS - SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2014

Accounting Policies Note:

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Interest Paid:

The Organization paid $2,138 in interest during the year ended June 30, 2014.

Income Taxes:

The Organization paid no income taxes during the year ended June 30, 2014 (see Note A).

The significant accounting polices followed are described below to enhance the usefulness of the financial statements to the reader.

(A) Summary of Significant Accounting Policies

Nature of Organization

The Northeastern Massachusetts Law Enforcement Council, Inc. (NEMLEC) began in 1963 when a group of progressive police chiefs in Middlesex County began meeting informally to share information and brainstorm about common problems. The NEMLEC police chiefs formally incorporated as a non-profit corporation, under Chapter 180 of the laws of the Commonwealth of Massachusetts, on October 2, 1974. Today, NEMLEC consists of fifty-eight (58) municipal police departments and two (2) sheriff's agencies in Middlesex and Essex Counties.

NEMLEC is a consortium of law enforcement agencies operating in partnership within its region to promote and enhance public safety by sharing knowledge, resources, and personnel; and delivering specialized services to support member agencies while maintaining local control. Each member commits a portion of resources from its agency to NEMLEC, and those resources are made available to member police departments to increase and improve their capabilities. NEMLEC provides police chiefs, their personnel, and the communities they serve, the highest quality of support and supplemental public safety services by providing the benefit of local control, personnel reserve, resource expansion, knowledge multiplier, collective purchasing, specialization, officer retention, regional problem solving, education, networking and mentoring.

Basis of Accounting

The financial statements of NEMLEC have been prepared on the accrual basis of accounting.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through March 17, 2015, the date the financial statements were available to be issued.

Financial Statement Reporting and 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, based upon the existence of donor imposed stipulations, if any. In addition, the Organization is required to present a statement of cash flows.

(A) <u>Summary of Significant Accounting Policies</u> (Continued)

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits. The Organization places its cash deposits with two financial institutions located in Massachusetts. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. At June 30, 2014 the Organization had no uninsured cash balances.

Investments

The Organization records its investments with readily determinable fair values, and all investments in debt securities at their fair values in the statements of financial position.

Investments in mutual funds are carried at quoted market values of the investments at the statement of financial position date.

Realized gains or losses are computed based on specific identification of the investment sold. The realized gain or loss is reported in the statement of activities. Earnings on investments (interest and dividends) are recognized and reported when received.

Investments are subject to the normal market fluctuations of publically traded securities. Credit risk with respect to its investments in these securities is limited due to the Securities Investors Protection Corporation program and the diverse portfolio of quality investments maintained by the Organization. The Organization reviews its investments and if the market value is substantially below cost and the decline is considered to be "other than temporary," an adjustment is recorded as a realized loss.

Fair Value Measurements

The Organization adopted the methods of calculating fair value of its financial assets and liabilities, when applicable. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

Accounting standards establish a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs that are based on inputs not quoted in active markets, but corroborated by market data.

Level 3: Unobservable inputs that are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

(A) Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimizes the use of unobservable inputs to the extent possible as well as considers counter party credit risk in its assessment of fair value. Financial assets and liabilities carried at fair value as of June 30, 2014. All of the Organization's investments are held in the Raymond James brokerage account. They are classified as follows for fair value measurement purposes as of June 30, 2014:

Level 1	
Cash	$ 1,158
Investment	58,512
	$ 59,670
Level 2	
Investment	3,618
Total	$ 63,288

Accounts Receivable

Accounts receivable, consisting primarily of amounts due from members, are reported at the amount management expects to collect on balances outstanding at year end. Management closely monitors outstanding balances and writes off, as of year end, all balances that have not been collected by the time the financial statements are issued. Based on management's assessment of the credit history with its members having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year end will be immaterial. Accordingly, no allowance for doubtful accounts is deemed necessary.

Property and Equipment

Property and equipment are stated at cost, or fair market value at date of receipt if donated. Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of the assets are capitalized.

Depreciation is computed using straight line methods over the estimated useful lives of the related assets. Estimated lives will vary by asset category. Depreciation expense for the year ended June 30, 2014 amounted to $134,586.

Accumulated depreciation consists of the following at June 30, 2014:

Account	
Building	$ 2,214
Machinery and Equipment	1,297,154
Motor Vehicles	693,069
Computer Equipment	201,258
Total	$2,193,695

Deferred Revenue

Deferred revenue represents membership dues received in the current fiscal year, for the following year. The Organization had no deferred revenue as June 30, 2014.

(A) Summary of Significant Accounting Policies (Continued)

Income Tax Status

NEMLEC qualifies as an organization exempt from income tax as provided under Section 501(c)(3) of the Internal Revenue Code, and therefore, has no provision for federal income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

In evaluating the Organization's tax positions the Organization regularly reviews and evaluates it tax positions taken in previously filed information returns and as reflected in its financial statements, with regard to issues affecting its tax exempt status, unrelated business income, and related matters. It believes that in the event of an examination by taxing authorities, its positions would prevail based upon the technical merits of such positions. Therefore, the Organization has concluded that no tax benefits or liabilities are required to be recognized.

The Organization's federal and state tax returns are subject to possible examination by taxing authorities until the expiration of the related statutes of limitations on those returns. In general, the federal and state tax returns have a three-year statute of limitations from the date the tax returns were due or filed, whichever is later. The Organization has no open examinations as of the date of these financial statements.

Net Assets

The Organization reports its net assets in its financial statements in as follows:

Unrestricted Net Assets - General - Net assets that are not subject to donor-imposed stipulations. These assets represent the resources over which the Board of Directors have discretionary control to use in carrying on the operations of the Organization.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

The Board of Directors and management employees of the Organization acknowledge that, to the best of their ability, all assets received have been used for the purpose for which they were contributed, or have been accumulated to allow management to conduct the operations of the Organization as effectively and efficiently as possible.

Assessment Revenue

NEMLEC recognizes assessment revenue for specific purposes when received. The Organization received assessment revenue as follows during the year ended June 30, 2014:

Assessment Revenue:	
Technology	$ 18,633
Non-Technology	4,200
Total	$ 22,833

(A) Summary of Significant Accounting Policies (Continued)

Assessment Revenue (Continued)

The assessment revenue is principally from all participating police departments throughout northeastern Massachusetts. Funds remaining unexpended at the end of the accounting period are recorded as temporarily restricted net assets; and funds expended in the same accounting period as unrestricted net assets.

Contributions-in-Kind

Donated services are recognized as unrestricted contributions received and contributions made, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

The Northeastern Massachusetts Law Enforcement Council, Inc. periodically receives donated equipment. Donated equipment is recorded at fair value; contributions over $5,000 (the Organization's capitalization threshold) are included in property and equipment. The fair value of the contribution is recognized both as revenue and an asset. The Organization capitalized donated equipment of $55,313 during the year ended June 30, 2014.

If the fair value of the donated equipment is not over $5,000, the contribution is recognized both as revenue and expense. The Organization recorded donated equipment that was not capitalized of $5,282 during the year ended June 30, 2014.

(B) Investments

Investments were held in one brokerage account located in Massachusetts. Investments are stated at fair value in the statements of financial position. The balance of this account represents various mutual funds purchased during the year ended June 30, 2014. The purchase cost is $55,575 and fair market value is $62,130 at June 30, 2014

The following schedule summarizes the net investment return (including interest bearing cash and cash equivalents accounts) in the statements of activities for the years ended June 30:

	2014
Investment Income:	
Interest and Dividends	$ 1,953
Net Realized Gain on Investments	1,156
Net Unrealized Gain on Investments	3,857
Net Investment Return	$ 6,966

(C) Net Assets Released from Restrictions

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes, or by other events during the years. Since these temporarily restricted net assets were received and expended in the same year, they are recorded as unrestricted net assets.

Purpose restrictions accomplished as of June 30, 2014:

Assessment Fees:	
Technology	$18,633
Non-Technology	4,200
Total	$22,833

(D) Long-Term Debt

During the fiscal year ended June 30, 2013, the Organization entered into a twenty years mortgage note payable with North Shore Bank. The note has a fixed interest rate of 4%. The monthly payment of interest and principal was $329 at June 30, 2014. The note matures during April 2033. The unpaid balance as of June 30, 2014 amounted to $51,898.

The mortgage note payable is secured by the mortgaged property located at 314 Main Street, Wilmington, Massachusetts.

Long-term debt matures as follows:

Year Ending June 30:	Amount
2016	$ 1,985
2017	2,065
2018	2,150
2019	2,237
2020	2,328
Thereafter	39,226
Total	$49,991

(E) Lawsuit

The Organization is currently a defendant in a lawsuit by the MA ACLU in regards to the qualification of its exempt status as a 501(c)(3) tax exempt Organization. The ACLU is claiming that the Organization is a public entity and should be subjected to the same public records law disclosure requirements as other public entities. The Organization has not incurred any attorney's fees for the current fiscal year but has incurred $30,196 in fiscal year 2015. The Organization does not expect to owe any monetary damages but there is a possibility the Organization may owe an indeterminate cost of compliance with the Public Records Law. The amount of compliance costs, if any, cannot be reasonably estimated at this time.