

NORTHEASTERN MASSACHUSETTS LAW ENFORCEMENT COUNCIL, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2013

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

A PROFESSIONAL CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS



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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of Northeastern Massachusetts Law Enforcement Council, Inc. (a Massachusetts Non-Profit Organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Northeastern Massachusetts Law Enforcement Council, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*O'Brien, Fitzgerald, Taylor & Keaveney, P.C.*

Waltham, Massachusetts  
March 19, 2014

NORTHEASTERN MASSACHUSETTS LAW ENFORCEMENT COUNCIL, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2013

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 9,508
Investments	44,592
Accounts Receivable	9,790
Prepaid Expenses	<u>1,991</u>
Total Current Assets	<u>\$ 65,881</u>

Property and Equipment:

Building	\$ 69,065
Machinery and Equipment	1,345,637
Motor Vehicles	1,039,046
Computer Equipment	<u>200,000</u>

Total Property and Equipment \$2,653,748

Deduct - Accumulated Depreciation 2,090,377

Net Book Value \$ 563,371

Total Assets \$ 629,252

LIABILITIES AND NET ASSETS

Current Liabilities:

Current Maturities of Long-Term Debt	\$ 1,832
Accounts Payable	2,577
Accrued Expenses	<u>11,512</u>

Total Current Liabilities \$ 15,921

Non-Current Liabilities:

Long-Term Debt	<u>51,874</u>
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Total Liabilities \$ 67,795

Net Assets:

Unrestricted Net Assets	<u>\$ 561,457</u>
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Total Liabilities and Net Assets \$ 629,252

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT

NORTHEASTERN MASSACHUSETTS LAW ENFORCEMENT COUNCIL, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

<u>Revenue and Support:</u>	
Contributions-in-Kind	\$ 652,401
Membership Dues	238,842
Net Realized Gain on Investments	3,863
Assessment Revenue	3,330
Interest and Dividend Income	1,665
Net Unrealized Gain on Investments	<u>219</u>
Total Revenue and Support	<u>\$ 900,320</u>
<u>Functional Expenses:</u>	
Program Services	\$ 459,265
General and Administrative	<u>71,494</u>
Total Functional Expenses	<u>\$ 530,759</u>
Change in Net Assets	\$ 369,561
Net Assets, Beginning of Year	<u>191,896</u>
<u>Net Assets, End of Year</u>	<u>\$ 561,457</u>

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT

NORTHEASTERN MASSACHUSETTS LAW ENFORCEMENT COUNCIL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Totals</u>
Equipment	\$189,065	\$ -	\$189,065
Payroll	76,137	26,349	102,486
Depreciation	98,456	-	98,456
Seminars	30,151	-	30,151
Repairs and Maintenance	16,603	-	16,603
Insurance	15,664	-	15,664
Licenses	12,632	-	12,632
Accounting Fees	-	10,451	10,451
Telephone	7,214	2,707	9,921
Plaques	3,019	6,725	9,744
Payroll Taxes	6,388	2,245	8,633
Rent	-	6,300	6,300
Office Expenses	-	5,795	5,795
Conferences and Meetings	-	5,436	5,436
Travel	3,161	1,556	4,717
Miscellaneous	775	3,128	3,903
Mortgage Interest	-	364	364
Utilities	-	250	250
Postage and Shipping	-	188	188
<u>Total Functional Expenses</u>	<u>\$459,265</u>	<u>\$ 71,494</u>	<u>\$530,759</u>

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT

NORTHEASTERN MASSACHUSETTS LAW ENFORCEMENT COUNCIL, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

<u>Cash Provided By(Used In)Operating Activities:</u>	
Change in Net Assets	\$ 369,561
Adjustments to Reconcile Change in Net Assets to Net Cash Used In Operations:	
Net Realized Gain on Investment	(3,863)
Net Unrealized Gain on Investment	(219)
Donated Equipment	(470,299)
Depreciation	98,456
(Increase)Decrease in Operating Assets:	
Accounts Receivable	(9,169)
Prepaid Expenses	3,300
Increase(Decrease) in Operating Liabilities:	
Accounts Payable	421
Accrued Expenses	54
Deferred Revenue	<u>(8,975)</u>
Net Cash Used In Operating Activities	<u>\$ (20,733)</u>
<u>Cash Provided By(Used In) Investing Activities:</u>	
Purchase of Investments	\$ (56,006)
Proceeds from Sale of Investment	42,633
Purchase of Property and Equipment	<u>(15,065)</u>
Net Cash Used In Investing Activities	<u>\$ (28,438)</u>
<u>Cash to Financing Activities:</u>	
Payment of Long-Term Debt	<u>(293)</u>
Decrease in Cash and Cash Equivalents	\$ (49,464)
Cash and Cash Equivalents, Beginning of Year	<u>58,972</u>
<u>Cash and Cash Equivalents, End of Year</u>	<u>\$ 9,508</u>

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT



NORTHEASTERN MASSACHUSETTS LAW ENFORCEMENT COUNCIL, INC.

STATEMENT OF CASH FLOWS - SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2013

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.

Acquisition of Property and Equipment:

Cost of Property and Equipment	\$ 69,065
<u>Deduct</u> - Property and Equipment Loans	<u>54,000</u>
<u>Cash Payments for Property and Equipment</u>	<u>\$ 15,065</u>

Interest Paid:

The Organization paid \$364 in interest during the year ended June 30, 2013.

Income Taxes:

The Organization paid no income taxes during the year ended June 30, 2013 (see Note A).

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT

NORTHEASTERN MASSACHUSETTS LAW ENFORCEMENT COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 forty-nine (49) municipal police departments and two (2) sheriff's agencies in Middlesex and Essex Counties of Massachusetts.

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 Northeastern Massachusetts Law Enforcement Council, Inc. 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 19, 2014, 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) Summary of Significant Accounting Policies (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, 2013 the Organization had no uninsured cash balances.

Investments

The Organization records its investments with readily determinable fair values, and all investment in debt securities at their fair values in the statement 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, 2013. 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, 2013:

<u>Level 1</u>	
Cash	\$ 9,508
Investment	<u>42,068</u>
	\$ 51,576
<u>Level 2</u>	
Investment	<u>2,524</u>
<u>Total</u>	<u>\$ 54,100</u>

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 trivial. 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, 2013 amounted to \$98,456.

Accumulated depreciation consists of the following at June 30, 2013:

<u>Account</u>	
Building	\$ 443
Machinery and Equipment	1,265,241
Motor Vehicles	624,693
Computer Equipment	<u>200,000</u>
<u>Total</u>	<u>\$2,090,377</u>

(A) Summary of Significant Accounting Policies (Continued)

Deferred Revenue

Deferred revenue represented membership dues received in the current fiscal year, for the following year. The Organization had no deferred revenue as June 30, 2013.

Income Tax Status

Northeastern Massachusetts Law Enforcement Council, Inc. 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).

Uncertain Tax Positions

The Organization follows the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

As of June 30, 2013, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

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 as follows:

Unrestricted Net Assets - 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 statement of activities as net assets released from restrictions.

(A) Summary of Significant Accounting Policies (Continued)

Net Assets (Continued)

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 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. The organization received \$3,750 of Non-Technology assessment revenue during the year ended June 30, 2013. All of assessment revenue received was expended in the year end June 30, 2013 and reported 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 performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers services not meeting this criteria are not recognized as contributions in the financial statements.

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 \$470,299 during the year ended June 30, 2013.

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 \$182,102 during the year ended June 30, 2013.

(B) Investments

Investments are held in one brokerage account located in Massachusetts. Investments are stated at fair value in the statement of financial position. The balance of this account represents various mutual funds purchased during the year ended June 30, 2013. The purchase cost is \$41,894 and fair market value is \$44,592 at June 30, 2013.

The following schedule summarizes the net investment return (including interest bearing cash and cash equivalents accounts) in the statement of activities for the year ended June 30, 2013:

Investment Income:	
Interest and Dividends	\$ 1,515
Net Realized Gain on Investments	3,863
Net Unrealized Gain on Investments	<u>219</u>
<u>Net Investment Return</u>	<u>\$ 5,597</u>

(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, 2013:

Assessment Fees:	
Technology	\$ -
Non-Technology	<u>3,750</u>
<u>Total</u>	<u>\$ 3,750</u>

(D) Operating Lease

The Northeastern Massachusetts Law Enforcement Council, Inc. has entered into a tenant-at-will lease agreement for garage space with Ten Draper Realty. The space is located at 10 Draper Street, Woburn, Massachusetts. Rent expense amounted to \$6,300 for the year ended June 30, 2013.

(E) Long-Term Debt

During fiscal year ended June 30, 2013, the Organization entered into a twenty year 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, 2013. The note matures on April 2033. The unpaid balance as of June 30, 2013 amounted to \$53,706.

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

Long-term debt matures as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2015	\$ 1,907
2016	1,962
2017	1,881
2018	1,797
2019	1,710
Thereafter	<u>42,617</u>
<u>Total</u>	<u>\$51,874</u>