

NATIONAL POLICE DEFENSE FOUNDATION, INC.

For the Years Ended
June 30, 2009 and 2008

NATIONAL POLICE DEFENSE FOUNDATION, INC.

For the Years Ended
June 30, 2009 and 2008

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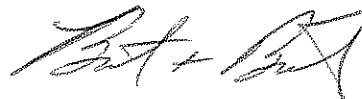
Independent Auditors' Report

Executive Board of
National Police Defense Foundation, Inc.

We have audited the accompanying statements of financial position of National Police Defense Foundation, Inc. (the "Foundation") as of June 30, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements for the year ended June 30, 2008, were examined by other auditors who expressed an unqualified opinion on them dated December 3, 2008.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Police Defense Foundation, Inc., as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Bart & Bart

October 30, 2009

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NATIONAL POLICE DEFENSE FOUNDATION, INC.
Statement of Financial Position
June 30, 2009

Assets

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Current assets			
Cash and cash equivalents	\$ 662,677	\$ 267,077	\$929,754
Inventory	<u>2,695</u>	<u>-</u>	<u>2,695</u>
Total current assets	<u>665,372</u>	<u>267,077</u>	<u>932,449</u>
 Equipment, net of accumulated depreciation of \$30,045	 34,376	 -	 34,376
 Security deposit	 <u>1,400</u>	 <u>-</u>	 <u>1,400</u>
	<u>\$ 701,148</u>	<u>\$ 267,077</u>	<u>\$ 968,225</u>

Liabilities and Net Assets

Current Liabilities			
Accounts payable and accrued expenses	\$ 14,531	\$ -	\$ 14,531
Payroll and payroll taxes payable	-	-	-
Deferred revenue	<u>51,822</u>	<u>-</u>	<u>51,822</u>
Total current liabilities	<u>66,353</u>	<u>-</u>	<u>66,353</u>
 Net assets	 <u>634,795</u>	 <u>267,077</u>	 <u>901,872</u>
	<u>\$ 701,148</u>	<u>\$ 267,077</u>	<u>\$ 968,225</u>

See accompanying notes to financial statements.

NATIONAL POLICE DEFENSE FOUNDATION, INC.

Statement of Financial Position

June 30, 2008

Assets

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Current assets			
Cash and cash equivalents	\$ 648,467	\$ 153,638	\$ 802,105
Investments	<u>7,090</u>	<u>-</u>	<u>7,090</u>
Total current assets	<u>655,557</u>	<u>153,638</u>	<u>809,195</u>
Equipment, net of accumulated depreciation of \$18,664	45,758	-	45,758
Security deposit	<u>1,400</u>	<u>-</u>	<u>1,400</u>
	<u>\$ 702,715</u>	<u>\$ 153,638</u>	<u>\$ 856,353</u>

Liabilities and Net Assets

Current liabilities			
Accounts payable and accrued expenses	\$ 22,320	\$ -	\$ 22,320
Payroll and payroll taxes payable	3,666	-	3,666
Deferred revenue	<u>63,425</u>	<u>-</u>	<u>37,439</u>
Total current liabilities	63,425	-	63,425
Net assets	<u>632,290</u>	<u>153,638</u>	<u>792,928</u>
	<u>\$ 702,715</u>	<u>\$ 153,638</u>	<u>\$ 856,353</u>

See accompanying notes to financial statements.

NATIONAL POLICE DEFENSE FOUNDATION, INC.

Statement of Activities

For the Year Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue	\$ 155,554	\$ -	\$ 155,554
Special events - awards banquet	-	111,340	111,340
Fundraising contributions	519,110	-	519,110
Restricted contributions	-	12,141	12,141
Interest and dividend income	15,964	-	15,964
State Grants	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total Support & Revenue	<u>715,628</u>	<u>123,481</u>	<u>839,109</u>
 Expenses			
Program services	252,165	-	252,165
Membership development	-	-	-
General and administration	51,257	-	51,257
Fundraising	<u>417,164</u>	<u>-</u>	<u>417,164</u>
	<u>720,586</u>	<u>-</u>	<u>720,586</u>
 Increase in net assets	(4,958)	123,481	118,523
 Net assets - beginning	<u>639,753</u>	<u>143,596</u>	<u>783,349</u>
 Net assets - ending	<u>\$ 634,795</u>	<u>\$ 267,077</u>	<u>\$ 901,872</u>

See accompanying notes to financial statements.

NATIONAL POLICE DEFENSE FOUNDATION, INC.
Statement of Activities
For the Year Ended June 30, 2008

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Support and revenue			
Dues, renewals and merchandise	\$ 150,506	\$ -	\$ 150,506
Special events - awards banquet	-	95,672	95,672
Fundraising contributions	586,514	-	586,514
Restricted contributions	-	49,153	49,153
Interest and dividend income	29,851	-	29,851
Unrealized gain on investments	<u>1,623</u>	<u>-</u>	<u>1,623</u>
	768,494	144,825	913,319
Net assets released from restrictions			
Satisfaction of purpose restrictions	<u>141,728</u>	<u>(141,728)</u>	<u>-</u>
	<u>910,222</u>	<u>3,097</u>	<u>913,319</u>
Expenses			
Program services	291,477	-	291,477
Membership development	43,316	-	43,316
General and administration	37,469	-	37,469
Fundraising	<u>485,100</u>	<u>-</u>	<u>485,100</u>
	<u>857,363</u>	<u>-</u>	<u>857,363</u>
Increase in net assets	52,859	3,097	55,956
Net assets - beginning	<u>586,432</u>	<u>150,541</u>	<u>736,972</u>
Net assets – ending	<u>\$ 639,290</u>	<u>\$ 153,638</u>	<u>\$ 792,928</u>

See accompanying notes to financial statements.

NATIONAL POLICE DEFENSE FOUNDATION, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2008

	Program Services						Fund - Raising	Total
	Legal Defense	Operation Kids	Safe Cop	Total	Membership Development	General & Administration		
Professional fundraising commissions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 475,916	\$ 475,916
Rent	-	10,500	-	10,500	-	-	-	10,500
Conferences	2,541	7,968	7,183	17,693	L022	522	26	19,263
Depreciation	-	-	-	-	-	15,930	-	15,930
Donations	1,000	38,970	5,150	45,120	350	100	-	45,570
Legal fees	310	-	310	310	-	-	-	310
Awards banquet	-	60,357	-	60,357	-	-	-	60,357
Postage	1,650	1,653	700	4,003	1,723	554	221	6,502
Printing	6,862	3,350	1,306	11,517	1,618	2,542	3,247	18,925
Recruitment bonus	-	-	-	-	658	-	-	658
Telephone	479	432	531	1,442	459	520	23	2,445
Travel and vehicle expense	2,772	27,903	3,131	33,807	5,375	8,209	7	47,397
Merchandise	-	2,000	2,000	2,000	1,440	(369)	-	3,071
Salaries	21,013	21,013	21,013	63,038	21,013	-	-	84,051
Payroll taxes	1,488	1,488	1,488	4,463	1,488	1,488	-	7,439
Bank charges	1,290	1,260	1,260	3,810	1,260	-	1,116	6,186
Licenses and registrations	260	170	65	495	10	252	1,034	1,791
Office expense	1,163	1,067	999	3,229	1,153	1,656	-	6,037
Annual board meeting	3,349	3,349	3,847	10,545	3,349	2,839	-	16,734
Audit fees	1,670	2,670	670	5,010	500	680	3,510	9,700
Internet expenses	1,142	1,142	1,150	3,434	1,142	235	-	4,810
Dues and subscriptions	93	118	88	299	148	208	-	655
Insurance	-	-	-	-	185	1,282	-	1,467
Good and welfare	56	6	437	499	413	455	-	1,368
Computer repairs and training	10	10	10	29	10	10	-	49
Investigations	196	-	-	196	-	-	-	196
Motor Vehicle license plates	-	-	3,682	3,682	-	357	-	4,039
Scholarship	-	6,000	-	6,000	-	-	-	6,000
	<u>\$ 47,342</u>	<u>\$ 189,424</u>	<u>\$ 54,710</u>	<u>\$ 291,477</u>	<u>\$ 43,316</u>	<u>\$ 37,469</u>	<u>\$ 485,100</u>	<u>\$ 857,363</u>

See accompanying notes to financial statements.

NATIONAL POLICE DEFENSE FOUNDATION, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2009

	Program Services						Total
	Legal Defense	Operation Kids	Safe Cop	Membership Development	General & Administration	Fund- Raising	
Professional fundraising commissions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 411,866
Rent	-	10,500	-	-	-	-	10,500
Conferences	5,385	7,622	4,560	3,144	1,789	68	22,568
Depreciation	-	-	-	-	11,380	-	11,380
Donations	-	24,850	1,100	875	-	-	26,825
Legal fees	-	-	-	-	-	-	-
Awards banquet	-	59,219	-	-	-	-	59,219
Postage	1,218	1,029	980	1,363	276	60	4,926
Printing	1,402	1,391	1,326	804	524	2,025	7,472
Recruitment bonus	-	-	-	-	-	-	200
Telephone	427	347	478	410	410	381	2,453
Travel and vehicle expense	3,554	6,270	3,887	4,340	6,666	-	24,717
Merchandise	-	818	-	10,363	-	-	11,181
Salaries	24,017	10,825	10,667	5,834	22,249	-	73,592
Payroll Taxes	1,572	1,414	1,417	1,149	1,908	-	7,460
Bank charges	-	327	-	2,928	160	1,393	4,808
Licenses and registrations	3	205	3	3	426	1,000	1,640
Office expense	1,218	1,357	1,219	1,114	931	-	5,839
Annual board meeting	190	190	40	190	190	-	800
Audit fees	2,200	1,600	1,900	1,200	1,900	300	9,100
Internet expenses	640	640	696	1,663	306	-	3,945
Dues and subscriptions	142	168	142	310	150	71	983
Insurance	192	192	192	258	1,364	-	2,198
Good and welfare	-	-	2,324	802	110	-	3,236
Computer repairs and training	10	10	10	240	10	-	280
Investigations	372	-	-	-	-	-	372
Motor Vehicle license plates	14	14	14	14	508	-	564
Scholarship	-	6,000	-	-	-	-	6,000
Rewards	-	-	2,500	-	-	-	2,500
Advertising	-	3,837	-	125	-	-	3,962
	<u>\$ 42,556</u>	<u>\$ 138,825</u>	<u>\$ 33,455</u>	<u>\$ 37,329</u>	<u>\$ 51,257</u>	<u>\$ 417,164</u>	<u>\$ 720,586</u>

See notes to financial statements

NATIONAL POLICE DEFENSE FOUNDATION, INC.
 Statements of Cash Flows
 For the Years Ended June 30,

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Increase in net assets	\$ <u>118,523</u>	\$ <u>15,930</u>
Adjustments to reconcile increase in net assets to net cash from operating activities		
Depreciation	11,380	9,072
Unrealized gain on investments	-	-
Loss on sale of auto	-	3,898
Decrease (increase) in Inventory	4,395	(650)
Increase (decrease) in Accounts payable and accrued expenses	(10,494)	
Payroll and payroll taxes payable	(3,666)	(1,172)
Deferred revenue	<u>7,511</u>	<u>(19,949)</u>
Total adjustments	<u>9,126</u>	<u>7,677</u>
	<u>127,649</u>	<u>59,969</u>
 Cash flows from investing activities		
Proceeds from redemption of investments	-	14,871
Payments for purchase of equipment	-	(49,734)
Proceeds from sale of auto	<u>-</u>	<u>10,500</u>
	<u>-</u>	<u>(24,363)</u>
 Net change in cash and cash equivalents	127,649	36,186
 Cash and cash equivalents - beginning	<u>802,105</u>	<u>765,919</u>
 Cash and cash equivalents - ending	<u>\$ 929,754</u>	<u>\$ 802,105</u>

See accompanying notes to financial statements.

NATIONAL POLICE DEFENSE FOUNDATION, INC.
Notes to Financial Statements

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Activities

The National Police Defense Foundation (the "Foundation") is a New Jersey based foundation that offers medical and legal support services to law enforcement personnel, rewards for public information leading to the arrest and conviction of anyone who shoots an NPDF law enforcement officer, and free fingerprinting and medical services for children.

Basis of Presentation

These financial statements, which are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- Temporarily restricted net assets - net assets subject to donor-imposed stipulations that will be met by actions of the Foundation or by the passage of time.
- Unrestricted net assets - net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted revenues. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Revenue Recognition

Contributions are recognized as revenues in the period received or pledged. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation. Dues are recognized over the term of the membership. Deferred revenue represents dues that are paid in the current fiscal year for membership privileges in the subsequent fiscal year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

NATIONAL POLICE DEFENSE FOUNDATION, INC.

Notes to Financial Statements

Note 1 - Nature of Activities and Significant Accounting Policies (continued)

Investments

The Foundation investments in marketable securities with readily determinable fair values are stated at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the changes in unrestricted net assets in the accompanying Statement of Activities.

Inventory

Inventory consisting of merchandise with the Foundation's logo that is provided to members and supporters who participate in the NPDF donation program, and is stated at lower of cost or market on a first-in, first-out method.

Equipment

Equipment is stated at cost, net of accumulated depreciation. Depreciation is provided over the estimated useful lives of the assets as follows:

<u>Asset Category</u>	<u>Method</u>	<u>Estimated Useful Life</u>
Automobiles	Straight-line	5 years
Office equipment	Straight-line	5 years

Functional Allocation of Expenses

The costs of providing various programs, fundraising and supporting services are allocated on a functional basis in the statement of activities and the statement of functional expenses in accordance with SOP 98-2. The estimated allocation of expenses between programs, fundraising and supporting services was prepared by management in accordance with generally accepted accounting principles.

Income Taxes

The Foundation operates under a tax exemption obtained under the Internal Revenue Code Section 501(c)(3) and therefore has made no provision for federal income taxes in the accompanying financial statements. There was no unrelated business income for the years ended June 30, 2009 and 2008.

Reclassification

Certain accounts in the accompanying 2008 financial statements have been reclassified to conform with the current year's presentation

NATIONAL POLICE DEFENSE FOUNDATION, INC.
Notes to Financial Statements

Note 2 - Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2009 and 2008 are available for the following purposes or periods:

	<u>2009</u>	<u>2008</u>
Operation Kids programs	\$ 83,623	\$ 108,272
Annual Award Dinner	13,457	3,354
Police Memorial Fund	10,435	32,468
Legal defense services	145,646	1,228
Safe Cop programs	10,860	1,130
DMV License Plates	3,056	7,186
	<u>\$267,077</u>	<u>\$ 150,541</u>

Note 3 - Commitments

The Foundation engages several telemarketers to solicit unrestricted support. The telemarketers are paid commissions based on contributions collected. The contracts are typically renewed annually for a one-year term and the Foundation is economically dependent on the proceeds from the net fundraiser campaigns. The Foundation pays commissions of approximately 85% of gross collections. Expenses of telemarketing are based on the fundraiser's responsibility to deliver the program service message, a call to action and request for public support. A portion of the commission is used by the telemarketer to cover the costs incurred through the rendering of these services. The Foundation lacks the resources, office space and staff to perform this task. Commissions expense for the fiscal years ended June 30, 2008 and 2007 was approximately \$519,000 and \$476,000, respectively.

Note 4 - Operating Lease

The Foundation leases office space in Morganville, New Jersey under a one-year lease expiring January 2009. Monthly payments under the current lease are \$875.

Rent expense for the years ending June 30, 2009 and 2008 was approximately \$10,500 and \$10,500, respectively.

Note 5 - Concentration of Credit Risk

The Foundation maintains its cash accounts at various financial institutions where the balances during the year in the accounts may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents.

Note 6 - Employee Benefit Plan

In the year ended June 30, 2004, the Foundation established a Simplified Employee Pension ("SEP") plan for the benefit of all eligible employees. The plan permits employees to contribute a percentage of their salaries up to limits prescribed by the Internal Revenue Service. Employer contributions to the plan are discretionary. The terms of the plan define qualified employees as those over 21 years of age with thirtysix months of service. The SEP plan contribution expense for the fiscal years ended June 30, 2008 and 2007 was \$8,700 and \$6,700, respectively.

NATIONAL POLICE DEFENSE FOUNDATION, INC.
Notes to Financial Statements

Note 7 - Functional Allocation of Expenses

The costs of providing the various programs have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Beginning first fiscal year 2009, the organization classified membership development as program expense.