



CHILDREN OF FALLEN PATRIOTS FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2012

CHILDREN OF FALLEN PATRIOTS FOUNDATION

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DECEMBER 31, 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Children of Fallen Patriots Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Children of Fallen Patriots Foundation, which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and changes in unrestricted net assets, 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.

Auditors' 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. 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 auditors' 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 auditors consider 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 Children of Fallen Patriots Foundation as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information contained in Schedule 1 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Bendon LLP

Certified Public Accountants

Jericho, New York
July 15, 2013

CHILDREN OF FALLEN PATRIOTS FOUNDATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2012

ASSETS

Cash	\$ 1,151,936
Contributions receivable	19,250
Computer software (net of accumulated depreciation of \$18,869)	<u>-</u>
TOTAL ASSETS	<u>\$ 1,171,186</u>

LIABILITIES AND UNRESTRICTED NET ASSETS

LIABILITIES:

Accounts payable	\$ 6,889
Payroll liabilities	<u>8,719</u>
TOTAL LIABILITIES	15,608

COMMITMENTS AND CONTINGENCIES

UNRESTRICTED NET ASSETS	<u>1,155,578</u>
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	<u>\$ 1,171,186</u>

The accompanying notes to financial statements are an integral part of this statement.

CHILDREN OF FALLEN PATRIOTS FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012

SUPPORT AND REVENUE:

Special events (net of special event fund-raising expenses of \$230,953)	\$ 1,988,922
Contributions	242,628
Interest income	<u>1,273</u>
TOTAL SUPPORT AND REVENUE	<u>2,232,823</u>

EXPENSES:

Program services	1,955,368
Management and general	92,203
Fund-raising expenses	<u>283,461</u>
TOTAL EXPENSES	<u>2,331,032</u>

(DECREASE) IN UNRESTRICTED NET ASSETS	(98,209)
UNRESTRICTED NET ASSETS - BEGINNING OF YEAR	<u>1,253,787</u>
UNRESTRICTED NET ASSETS - END OF YEAR	<u>\$ 1,155,578</u>

The accompanying notes to financial statements are an integral part of this statement.

CHILDREN OF FALLEN PATRIOTS FOUNDATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:

(Decrease) in unrestricted net assets	\$ (98,209)
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Changes in assets and liabilities:

(Increase) in contributions receivable	(4,586)
Increase in accounts payable	6,889
Increase in payroll liabilities	<u>8,719</u>

NET CASH (USED IN) OPERATING ACTIVITIES

(87,187)

CASH - BEGINNING OF YEAR

1,239,123

CASH - END OF YEAR

\$ 1,151,936

The accompanying notes to financial statements are an integral part of this statement.

CHILDREN OF FALLEN PATRIOTS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND PURPOSE

Children of Fallen Patriots Foundation (the "Foundation") is a not-for-profit organization incorporated under the laws of the State of Delaware on August 1, 2002. The Foundation was formed for the purpose of providing college scholarships and educational counseling to the children of military personnel who are killed in the line of duty.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Financial Statements

The accompanying financial statements of the Foundation have been prepared on the accrual basis of accounting. Net assets and activities of the Foundation are classified into three categories consisting of unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, based upon the existence or absence of donor-imposed restrictions. The Foundation has not received any contributions with donor-imposed restrictions that would result in temporarily or permanently restricted net assets.

(b) Support

Contributions received are measured at their fair values on the date of donation. Unless explicit donor stipulations specify how the donated assets must be used, contributions are reported as increases in unrestricted net assets.

If explicit donor stipulations are met in the same year as the restricted contributions are received, contributions are reported as unrestricted support in the year received. Generally, services provided to the Foundation by board members and their affiliates, for management and general functions, are not reflected in the accompanying financial statements.

Contributions receivable represent tickets for fund-raising events which remained unpaid at year-end.

(c) Income Taxes

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and is classified as a publicly supported organization, which allows for the maximum charitable contribution deduction by donors.

(continued)

CHILDREN OF FALLEN PATRIOTS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the plan and recognize a tax liability (or asset) if the organization has taken an uncertain position that more-likely-than-not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Foundation, and has concluded that as of December 31, 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2008.

(d) Accounting 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 the disclosure of contingencies, if any, at the date of the financial statements, and revenue and expenses during the reporting period. Actual results could differ from those estimates.

(e) Subsequent Events

The Foundation has evaluated subsequent events after the date of the statement of financial position through July 15, 2013, the date that the financial statements were available to be issued.

NOTE 3 - RISKS AND UNCERTAINTIES

At various times throughout the year, the Foundation had, on deposit in banks, amounts in excess of FDIC insurance limits. The Foundation has not experienced any losses in such accounts and the Board of Directors believes it is not exposed to any significant credit risk.

NOTE 4 - RELATED PARTY TRANSACTIONS

For the year ended December 31, 2012, contributions include \$461,025 donated to the Foundation by members of the Board of Directors. This amount is in excess of management and general expenses.

CHILDREN OF FALLEN PATRIOTS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs, fund-raising and other activities have been summarized on a functional basis in the schedule of functional expenses. Accordingly, certain costs have been allocated by management, based primarily upon estimated usage and other measurement methodologies, among the program and fund-raising activities benefited. For the year ended December 31, 2012, these activities consisted of payroll and related expense in the amount of \$158,800 and consulting expense in the amount of \$69,908, which were allocated between program services, management and general, and fund-raising expense. Printing expense in the amount of \$73,020 was allocated between program services and fund-raising expense. Computer consulting expense in the amount of \$2,308 was allocated between program services, and management and general. Travel expense in the amount of \$28,382 and telephone and Internet expense in the amount of \$11,137 were allocated between management and general, and fund-raising expense.

NOTE 6 - SUBSEQUENT EVENT

The Foundation entered into an operating lease agreement with Third & Third for the rental of office space on February 15, 2013 for a term of two years. Premises in the Third & Third building are rented to various tenants under operating leases, which generally provide for fixed minimum annual rentals, electricity inclusions and additional annual rentals based on increases in real estate taxes and defined operating expenses. Beginning March 1, 2013, future minimum rents required to be paid under the noncancelable portions of the aforementioned leases, in each of the following years are summarized as follows:

2013	\$ 21,000
2014	25,200
2015	<u>4,200</u>
	<u>\$ 50,400</u>

SUPPLEMENTARY FINANCIAL INFORMATION

CHILDREN OF FALLEN PATRIOTS FOUNDATION

FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>TOTAL</u>	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUND- RAISING</u>
Tuition	\$ 1,451,014	\$ 1,451,014	\$ -	\$ -
Other educational services	314,445	314,445	-	-
Payroll and related	158,800	124,214	14,497	20,089
Other special event expenses	83,852	-	-	83,852
Printing	73,020	8,404	-	64,616
Consulting	69,908	20,763	32,787	16,358
Video	40,100	-	-	40,100
Travel	28,382	5,250	16,533	6,599
Merchant processing fees	27,079	-	-	27,079
Books	20,559	20,559	-	-
Postage	13,866	4,911	-	8,955
Telephone and Internet	11,137	-	5,654	5,483
Accounting	9,736	-	9,736	-
Advertising and promotion	6,399	-	-	6,399
Professional fees	5,301	-	5,301	-
Transportation	3,616	3,616	-	-
Computer consulting	2,308	2,192	116	-
Supplies	2,090	-	-	2,090
Licenses and permits	2,000	-	2,000	-
Miscellaneous expenses	1,681	-	1,681	-
Photography expense	1,583	-	-	1,583
Annual filing fees	1,181	-	1,181	-
Insurance	995	-	995	-
Bank fees	638	-	638	-
Office equipment	600	-	600	-
Conferences	415	-	415	-
Fund-raising expense	258	-	-	258
Software	69	-	69	-
	<u>\$ 2,331,032</u>	<u>\$ 1,955,368</u>	<u>\$ 92,203</u>	<u>\$ 283,461</u>

The accompanying notes to financial statements and independent auditors' report should be read in conjunction with this supplementary schedule.