



CONSOLIDATED FINANCIAL STATEMENTS WITH  
SUPPLEMENTARY INFORMATION

December 31, 2011 and 2010

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Wisconsin Professional Police Association, Inc.  
Madison, Wisconsin

We have audited the accompanying consolidated statements of financial position of Wisconsin Professional Police Association, Inc. as of December 31, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wisconsin Professional Police Association, Inc. as of December 31, 2011 and 2010, 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.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidated schedules of expenses by account are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

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Madison, Wisconsin  
April 27, 2012

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**WISCONSIN PROFESSIONAL POLICE ASSOCIATION, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
December 31, 2011 and 2010

	2011	2010
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 93,879	\$ 68,475
Investments	250,632	249,441
Accounts receivable		
Dues	68,793	77,411
Other	4,146	1,191
Land contract receivable - current portion	14,488	-
Prepaid expenses	27,591	18,964
 Total current assets	 459,529	 415,482
Equipment and leasehold improvements - net	144,522	162,755
Property held for sale	-	395,548
Land contract receivable - less current portion	454,686	-
Deferred compensation investment	65,009	77,365
 <b>Total assets</b>	 <b>\$ 1,123,746</b>	 <b>\$ 1,051,150</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	\$ 292,823	\$ 13,716
Current portion of deferred lease incentive	15,304	15,304
Accounts payable	42,856	33,082
Accrued payroll and payroll taxes	43,305	57,040
Other accrued expenses	1,767	1,850
Deferred revenue	6,625	3,073
 Total current liabilities	 402,680	 124,065
<b>LONG-TERM LIABILITIES</b>		
Long-term debt less current portion	-	292,507
Deferred lease incentive less current portion	96,287	111,591
Deferred compensation	146,649	134,311
 Total long-term liabilities	 242,936	 538,409
 Total liabilities	 645,616	 662,474
<b>NET ASSETS</b>		
Unrestricted	478,130	388,676
 <b>Total liabilities and net assets</b>	 <b>\$ 1,123,746</b>	 <b>\$ 1,051,150</b>

See accompanying notes.

**WISCONSIN PROFESSIONAL POLICE ASSOCIATION, INC.**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
Years Ended December 31, 2011 and 2010

	2011	2010
<b>UNRESTRICTED NET ASSETS</b>		
<b>SUPPORT AND OTHER REVENUE</b>		
Membership dues	\$ 3,009,115	\$ 3,044,228
Supervisory officers relations division dues	107,871	109,294
Contributions	164,524	163,219
Convention	39,310	38,220
Investment return	12,993	1,893
Other	10,359	5,879
PAC income	50,118	43,008
Gain on sale of building	110,165	-
<b>Total unrestricted support and other revenue</b>	<b>3,504,455</b>	<b>3,405,741</b>
<b>EXPENSES</b>		
Program services		
Collective bargaining	2,313,002	2,229,339
Wisconsin Police Journal	47,471	68,365
Governance	42,618	29,364
Civilian employee relations division	26,608	31,293
Supervisory officers relations division	1,840	2,155
Convention	54,962	60,545
Legislative	144,505	98,286
Social/fraternal	-	704
PAC	37,079	73,638
<b>Total program services</b>	<b>2,668,085</b>	<b>2,593,689</b>
Supporting activities		
Management and general	500,827	616,660
Membership development	131,840	91,479
Fundraising	114,249	100,719
<b>Total supporting activities</b>	<b>746,916</b>	<b>808,858</b>
<b>Total expenses</b>	<b>3,415,001</b>	<b>3,402,547</b>
<b>Change in net assets</b>	<b>89,454</b>	<b>3,194</b>
Net assets - beginning of year (as restated)	388,676	385,482
<b>Net assets - end of year</b>	<b>\$ 478,130</b>	<b>\$ 388,676</b>

See accompanying notes.

**WISCONSIN PROFESSIONAL POLICE ASSOCIATION, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2011 and 2010

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 89,454	\$ 3,194
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	20,636	20,290
Gain on sale of building	(110,165)	-
Allowance for doubtful accounts	7,500	-
Realized and unrealized gain on investments	(304)	(194)
Change in deferred lease incentive	(15,304)	(15,304)
(Increase) decrease in assets		
Accounts receivable	(1,837)	5,852
Inventories	-	1,135
Prepaid expenses	(8,627)	8,322
Increase (decrease) in liabilities		
Accounts payable	2,536	2,363
Accrued payroll and payroll taxes	(13,735)	(30,096)
Other accrued expenses	(83)	(76)
Deferred revenue	3,552	(5,223)
Deferred compensation	24,694	25,154
<b>Net cash flows from operating activities</b>	(1,683)	15,417
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	-	(20,000)
Dividends earned but retained in investments	(887)	(1,621)
Payments received on land contract receivable	5,826	-
Proceeds from certificate of deposit	-	25,241
Purchases of equipment and leasehold improvements	(2,403)	(6,694)
Net proceeds from sale of building	37,951	-
<b>Net cash flows from investing activities</b>	40,487	(3,074)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on long-term debt	(13,400)	(12,540)
<b>Net change in cash</b>	25,404	(197)
Cash - beginning of year	68,475	68,672
<b>Cash - end of year</b>	\$ 93,879	\$ 68,475
<b>SUPPLEMENTARY INFORMATION</b>		
Interest paid	\$ 22,063	\$ 22,761
Noncash investing activities		
Sale of building in exchange for land contract receivable	475,000	-

See accompanying notes.

**WISCONSIN PROFESSIONAL POLICE ASSOCIATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2011 and 2010

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Wisconsin Professional Police Association, Inc. (Association) serves the needs of law enforcement personnel primarily in Wisconsin by providing employment relations, collective bargaining, legislative lobbying, and legal assistance services to its members. The significant accounting policies are described below to enhance the usefulness of the consolidated financial statements to the reader.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Association, Wisconsin Professional Police Association Political Action Committee (PAC) and Cops for Justice Fund. The PAC and Cops for Justice Fund are consolidated since the Association has both an economic interest in the PAC and Cops for Justice Fund and control of the PAC and Cops for Justice Fund. All interorganizational transactions have been eliminated.

**Basis of Presentation**

The Association 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.

**Investments**

The Association carries investments in marketable securities with readily determinable fair values at their market value in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities.

**Receivables and Allowance for Uncollectible Receivables**

The allowance for uncollectible receivables is based on management's review of outstanding receivable accounts at year-end. Receivables are considered impaired if principal payments are not received in accordance with the contractual terms. The Association's policy is to charge off uncollectible receivables when management has determined the receivable will not be collected. The allowance for doubtful accounts was \$7,500 and \$0 at December 31, 2011 and 2010.

**Revenue Recognition**

Deferred revenue includes advance payments of membership dues. Membership dues are recorded as revenue in the applicable membership period.

**Income Tax Status**

The Association has received a determination letter from the Internal Revenue Service dated December 21, 1964 stating that it is exempt from federal income tax under Section 501(c)(5) of the Internal Revenue Code. The PAC and Cops for Justice Fund are Section 527 political organizations and subject to taxation on net investment income. Income tax expense is recorded on any unrelated business income. The Association's federal exempt organization returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed. With few exceptions, the Association is no longer subject to such examinations for years before 2008.

**WISCONSIN PROFESSIONAL POLICE ASSOCIATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2011 and 2010

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Equipment and Leasehold Improvements**

Acquisitions of equipment and leasehold improvements are recorded at cost or, if donated, as support at their estimated fair value at the date of donation. Equipment and leasehold improvements is depreciated using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 10 years.

**Estimates**

The preparation of consolidated 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.

**Reclassifications**

Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements.

**Date of Management's Review**

Management has evaluated subsequent events through April 20, 2012, the date which the consolidated financial statements were available to be issued.

NOTE 2 – INVESTMENTS

Investments at December 31 consisted of the following:

	<u>2011</u>	<u>2010</u>
Cash	\$ 239,638	\$ 149,110
Certificates of deposit	-	90,000
Mutual fund	<u>10,994</u>	<u>10,331</u>
Investments	<u>\$ 250,632</u>	<u>\$ 249,441</u>

Investment return for 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 887	\$ 1,699
Land contract interest	11,802	-
Realized and unrealized gain	<u>304</u>	<u>194</u>
Investment return	<u>\$ 12,993</u>	<u>\$ 1,893</u>

**WISCONSIN PROFESSIONAL POLICE ASSOCIATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2011 and 2010

NOTE 2 – INVESTMENTS (continued)

Deferred compensation investments at December 31 consisted of the following:

	2011	2010
Cash	\$ 4,288	\$ 1,513
Mutual funds	60,721	75,852
Total deferred compensation investments	\$ 65,009	\$ 77,365

NOTE 3 – EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consisted of the following at December 31:

	2011	2010
Leasehold improvements	\$ 181,717	\$ 181,717
Office furniture and equipment	18,302	15,899
Less accumulated depreciation	55,497	34,861
Equipment and leasehold improvements - net	\$ 144,522	\$ 162,755

Depreciation expense for 2011 and 2010 was \$20,636 and \$20,290.

NOTE 4 – PROPERTY HELD FOR SALE

On April 15, 2009, the Association listed its property in Madison, Wisconsin for sale. On June 20, 2011, the Association sold the property for \$550,000, of which \$75,000 was a down payment and the remaining \$475,000 was received in the form of a land contract. The land contract requires monthly payments of \$3,138 and a balloon payment at maturity. The contract has an interest rate of 5% and matures on July 1, 2013. On December 31, 2011, the balance of the land contract was \$469,174. Future minimum payments for 2012 and 2013 are \$14,488 and \$454,686. Interest earned on this contract during 2011 was \$11,802.

NOTE 5 – OPERATING LEASES

The Association leased office space in Crystal Falls, Michigan and office equipment under various noncancelable operating leases that expire through 2012. During 2011, the office in Crystal Falls, Michigan was closed. Future minimum lease payments on the office equipment leases are \$5,904 in 2012. In addition, the Association entered into an office lease agreement in Madison, Wisconsin on April 15, 2009 which expires in 2019. The basic rent is \$5,395 per month and will increase annually at a rate of 3% in April of each year. Future minimum lease payments on the Madison lease are \$70,056, \$72,158, \$74,323, \$76,522, \$78,849 and \$193,022 for 2012, 2013, 2014, 2015, 2016, and thereafter. The Association also pays a fee for common area maintenance on this lease based on an amount set by the landlord. Rent expense totaled \$69,291 and \$71,290 for 2011 and 2010.

**WISCONSIN PROFESSIONAL POLICE ASSOCIATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2011 and 2010

**NOTE 6 – LONG-TERM DEBT**

Long-term debt at December 31, 2011 and 2010 consists of the following:

	2011	2010
Note payable to Anchor Bank, refinanced in 2010, secured by a first real estate mortgage, payable in monthly installments of \$2,955 including interest at 7.25%, final balloon payment due September 2012.	\$ 292,823	\$ 306,223
Less current portion of long-term debt	292,823	13,716
Long-term debt less current portion	\$ -	\$ 292,507

Interest expense for 2011 and 2010 was \$21,980 and \$22,685.

**NOTE 7 – FAIR VALUE MEASUREMENTS**

Fair values of assets measured on a recurring basis at December 31, 2011 and 2010:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 71,715	\$ 71,715	\$ -	\$ -
2011	\$ 71,715	\$ 71,715	\$ -	\$ -
Mutual funds	\$ 86,183	\$ 86,183	\$ -	\$ -
2010	\$ 86,183	\$ 86,183	\$ -	\$ -

Fair values for mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions.

**NOTE 8 – RETIREMENT PLAN**

The Association sponsors a Safeharbor 401 (k) plan and contributed 5% of employee compensation to the plan in 2011 and 2010. In addition, the Association also contributes additional amounts as a bonus based on the Association's financial performance each year. Pension expense was \$72,710 and \$77,380 for 2011 and 2010.

**WISCONSIN PROFESSIONAL POLICE ASSOCIATION, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2011 and 2010

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**NOTE 9 – SERVICE AGREEMENT**

The Association entered into an agreement with Xentel, Inc., which expires on February 28, 2012, where Xentel will provide the Association with fundraising services. Xentel guaranteed to pay the Association the greater of \$8,333 per month or 15% of deposited revenue until February 2010 and the greater of \$4,167 per month or 15% of deposited revenue for the rest of the contract term. For 2011 and 2010, Xentel's total payments were \$50,025 and \$62,500.

**NOTE 10 – COMMITMENTS**

The Association has signed contracts with a hotel for its 2011 through 2013 conferences. If a cancellation of any of these events would occur, or if the Association would use less than its contracted amount of room nights, the Association could be subject to significant penalties.

The Association has an employment contract with its Executive Director which requires deferred compensation and severance benefits. Under the contract, the Association will make bi-weekly voluntary contributions in the amount of 10% of the Executive Director's gross salary each year to the deferred compensation plan.

The contract also requires the Association to pay the Executive Director a severance benefit upon the expiration or termination of his employment. Payment will be equal to one month of the Executive Director's annual salary for the year in which the termination occurs for each year served as Executive Director, rounded to the nearest year.

**NOTE 11 – PRIOR PERIOD ADJUSTMENT**

An understatement of deferred compensation liability and severance liability was discovered during the current year. Accordingly, an adjustment of \$11,922 and \$19,870 was made to increase deferred compensation liability and severance liability as of December 31, 2009. As a result, unrestricted net assets were reduced by \$31,792 as of December 31, 2009. For 2010, an additional adjustment of \$12,864 and \$12,290 was made to further increase deferred compensation liability and severance liability and to reduce previously reported change in net assets for the year ended December 31, 2010 by \$25,154. As a result, previously reported unrestricted net assets were reduced by \$56,946 as of December 31, 2010.

**WISCONSIN PROFESSIONAL POLICE ASSOCIATION, INC.**  
**CONSOLIDATED SCHEDULES OF EXPENSES BY ACCOUNT**  
Years Ended December 31, 2011 and 2010

	2011	2010
Accounting fees	\$ 12,500	\$ 12,100
Arbitrators fees	29,142	31,488
Bank fees	697	1,461
Contract services	365,409	357,967
Contributions	41,643	79,416
Death benefit	5,000	11,000
Depreciation	20,636	20,290
Dues and subscriptions	40,090	32,821
Educational seminars	5,402	9,212
Equipment expense	38,751	49,775
Gifts	3,755	5,139
Fundraising expense	114,249	100,719
Insurance	493,381	435,164
Interest and penalties	22,180	22,711
Legal fees	4,630	21,743
Marketing	-	10,930
Meals	58,326	51,543
Miscellaneous	49,056	41,181
Occupancy	16,238	17,875
Office lease	52,827	49,864
Payroll taxes	140,411	135,874
Pension and retirement expense	72,710	77,380
Printing and postage	60,800	76,342
Purchases	-	1,085
Real estate tax	7,238	-
Salaries	1,428,775	1,439,940
Severance and deferred compensation	24,694	25,154
Scholarship fund	11,000	9,000
Social events	20,461	6,594
Strategic planning	-	3,000
Supplies	14,725	14,016
Taxes and licenses	100	1,695
Telephone and internet	72,847	71,239
Transcripts	3,042	4,108
Travel and lodging	184,286	174,721
<b>Total expenses</b>	<b>\$ 3,415,001</b>	<b>\$ 3,402,547</b>