



WISCONSIN
PROFESSIONAL POLICE
ASSOCIATION



**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

December 31, 2009 and 2008

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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 statements of financial position of Wisconsin Professional Police Association, Inc. as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these 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 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 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 Wisconsin Professional Police Association, Inc. as of December 31, 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of expenses by account are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wegner LLP

Wegner LLP
Madison, Wisconsin
April 9, 2010



WISCONSIN PROFESSIONAL POLICE ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2009 and 2008

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash	\$ 68,672	\$ 60,408
Certificate of deposit	25,241	-
Investments	227,626	197,276
Accounts receivable		
Dues	79,860	71,599
Trade	-	6,447
Other	4,594	1,122
Inventories	1,135	7,052
Prepaid expenses	27,286	15,825
Total current assets	434,414	359,729
Equipment and leasehold improvements - net	176,351	9,339
Property - net	-	399,353
Property held for sale	395,548	-
Deferred compensation investment	83,300	84,288
Total assets	\$ 1,089,613	\$ 852,709
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 318,763	\$ 11,673
Current portion of deferred lease incentive	15,304	-
Accounts payable	30,719	71,934
Accrued payroll and payroll taxes	87,136	41,319
Other accrued expenses	1,926	4,769
Advance dues	8,296	9,715
Total current liabilities	462,144	139,410
LONG-TERM LIABILITIES		
Long-term debt less current portion	-	318,763
Deferred lease incentive less current portion	126,895	-
Deferred compensation liability	83,300	84,288
Total long-term liabilities	210,195	403,051
Total liabilities	672,339	542,461
NET ASSETS		
Unrestricted	417,274	310,248
Total liabilities and net assets	\$ 1,089,613	\$ 852,709

See accompanying notes.

WISCONSIN PROFESSIONAL POLICE ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2009 and 2008

	2009	2008
UNRESTRICTED NET ASSETS		
SUPPORT AND OTHER REVENUE		
Membership dues	\$ 2,910,400	\$ 2,764,807
Supervisory officers relations division dues	111,763	83,820
Contributions	263,662	305,974
Convention	35,250	40,105
Investment return	5,602	7,127
Other	10,161	8,849
Sales - Forward Bag	13,565	659,553
PAC income	42,076	42,642
Total support and other revenue	3,392,479	3,912,877
EXPENSES		
Program services		
Collective bargaining	2,043,763	2,004,311
Wisconsin Police Journal	41,333	42,773
Governance	29,729	24,287
Civilian employee relations division	35,662	28,558
Supervisory officers relations division	3,654	8,120
Convention	55,477	53,596
Legislative	88,608	43,983
Social/fraternal	575	2,375
PAC	11,100	72,839
Total program services	2,309,901	2,280,842
Supporting activities		
Management and general	722,030	596,980
Forward Bag	35,265	725,278
Membership development	54,595	53,031
Fundraising	163,662	205,894
Total supporting activities	975,552	1,581,183
Total expenses	3,285,453	3,862,025
Change in net assets	107,026	50,852
Net assets - beginning of year	310,248	259,396
Net assets - end of year	\$ 417,274	\$ 310,248

See accompanying notes.

WISCONSIN PROFESSIONAL POLICE ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 107,026	\$ 50,852
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	23,673	20,427
Gain on sale of property and equipment	(910)	-
Realized and unrealized (gain) loss on investments	652	(1,311)
Change in deferred lease incentive	(10,841)	-
(Increase) decrease in assets		
Accounts receivable	(5,286)	14,074
Inventories	5,917	11,064
Prepaid expenses	(11,461)	1,819
Increase (decrease) in liabilities		
Accounts payable	(41,215)	(31,443)
Accrued payroll and payroll taxes	45,817	(53,498)
Other accrued expenses	(2,843)	(4,273)
Advance dues	(1,419)	(15,952)
Net cash provided by (used in) operating activities	109,110	(8,241)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of investments	25,000	103,000
Purchase of investments	(50,000)	(143,012)
Dividends earned but retained in investments	(6,002)	(5,805)
Proceeds from sale of property and equipment	4,951	-
Purchase of certificate of deposit	(25,241)	-
Purchases of equipment and leasehold improvements	(37,881)	-
Net cash used in investing activities	(89,173)	(45,817)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(11,673)	(10,860)
Net change in cash	8,264	(64,918)
Cash - beginning of year	60,408	125,326
Cash - end of year	\$ 68,672	\$ 60,408
SUPPLEMENTARY INFORMATION		
Interest paid	\$ 23,573	\$ 24,403
Noncash investing activities		
Acquisition of leasehold improvements through landlord issued deferred lease incentive	153,040	-

See accompanying notes.

WISCONSIN PROFESSIONAL POLICE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

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 financial statements to the reader.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily restricted net assets—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

Permanently restricted net assets—Net assets that have been restricted by donors to be maintained by the Association in perpetuity.

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 statements of activities.

Receivables

The Association considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Inventories

Inventories consist of bags and are stated at the lower of cost or market. Cost is determined principally by the first-in, first-out method.

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 5 to 10 years.

Revenue Recognition

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

WISCONSIN PROFESSIONAL POLICE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

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. 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 2006.

Estimates

The preparation of 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.

Date of Management's Review

Management has evaluated subsequent events through April 9, 2010, the date which the financial statements were available to be issued.

Reclassifications

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

NOTE 2 – INVESTMENTS

Investments at December 31 consisted of the following:

	2009	2008
Cash	\$ 97,216	\$ 4,526
Bonds	120,517	182,944
Mutual fund	9,893	9,806
Investments	\$ 227,626	\$ 197,276

Investment return for 2009 and 2008 were as follows:

	2009	2008
Interest and dividends	\$ 6,254	\$ 5,816
Unrealized gain (loss)	(652)	1,311
Investment return	\$ 5,602	\$ 7,127

WISCONSIN PROFESSIONAL POLICE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 3 – EQUIPMENT AND LEASEHOLD IMPROVEMENTS

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

	2009	2008
Leasehold improvements	\$ 181,717	\$ -
Office furniture and equipment	9,205	254,408
Less accumulated depreciation	14,571	245,069
Equipment and leasehold improvements - net	\$ 176,351	\$ 9,339

Depreciation expense for 2009 and 2008 was \$23,673 and \$20,427.

NOTE 4 – PROPERTY

Property at December 31, 2008 consisted of the following:

Land		\$ 74,461
Building and improvements		462,845
Less accumulated depreciation		137,953
Property - net		\$ 399,353

On April 15, 2009, the Association listed the property for sale.

NOTE 5 – LINE OF CREDIT

The Association has available a \$25,000 line of credit with Anchor Bank, which is collateralized by a second real estate mortgage. Interest on the line of credit is equal to the *Wall Street Journal's* highest published prime rate plus 1%. The line of credit matures in September 2010. There was no outstanding balance on the line of credit at December 31, 2009 and 2008.

NOTE 6 – LONG-TERM DEBT

Long-term debt at December 31, 2009 and 2008 consists of the following:

	2009	2008
Note payable to Anchor Bank, secured by a first real estate mortgage, payable in monthly installments of \$2,937 including interest at 6.25%, final balloon payment due October 2010.	\$ 318,763	\$ 330,436
Less current portion of long-term debt	318,763	11,673
Long-term debt less current portion	\$ -	\$ 318,763

Interest expense for 2009 and 2008 was \$23,503 and \$24,337.

WISCONSIN PROFESSIONAL POLICE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 7 – RETIREMENT PLAN

The Association sponsored a simplified employee pension plan for its employees during 2008. The Association deducted the employee contributions and remitted them to a third party custodian. The plan provided for the matching of participants' contributions by the Association in amounts not to exceed 4% of employee compensation. During 2009, the Association started sponsoring a Safeharbor 401 (k) plan and contributes 4% of employee compensation to the plan. In addition, the Association also contributes additional amounts as a bonus based on the Association's financial performance each year. Pension expense was \$89,432 and \$43,103 for 2009 and 2008.

NOTE 8 – OPERATING LEASES

The Association leases office space in Crystal Falls, Michigan and office equipment under various noncancelable operating leases that expire through 2012. Future minimum lease payments on these leases are \$16,908, \$12,373 and \$5,904 for 2010 through 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 and will increase annually at a rate of 3% in April of each year. The Association also pays a fee for common area maintenance on this lease based on an amount set by the landlord. Rent expense totaled \$58,198 and \$22,463 for 2009 and 2008.

NOTE 9 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2009 and 2008:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	\$ 227,626	\$ 227,626	\$ -	\$ -
Deferred compensation investment	83,300	83,300	-	-
2009	<u>\$ 310,926</u>	<u>\$ 310,926</u>	<u>\$ -</u>	<u>\$ -</u>
Investments	\$ 197,276	\$ 197,276	\$ -	\$ -
Deferred compensation investment	84,288	84,288	-	-
2008	<u>\$ 281,564</u>	<u>\$ 281,564</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values for investments and deferred compensation investment are determined by reference to quoted market prices and other relevant information generated by market transactions.

WISCONSIN PROFESSIONAL POLICE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 10 – 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 2009 and 2008, Xentel's monthly payments were \$8,333.

NOTE 11 – COMMITMENTS

The Association has signed contracts with a hotel for its 2010 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.

WISCONSIN PROFESSIONAL POLICE ASSOCIATION, INC.
SCHEDULES OF EXPENSES BY ACCOUNT
Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Accounting fees	\$ 12,100	\$ 11,600
Arbitrators fees	38,593	42,166
Auto expense	-	625
Office lease	36,086	-
Moving expense	6,868	-
Marketing	1,900	2,109
Bank fees	982	3,198
Commissions	1,682	77,496
Contract services	341,562	277,281
Contributions	14,150	74,092
Death benefit	3,000	2,000
Depreciation	23,673	20,427
Dues and subscriptions	29,872	30,128
Educational seminars	11,339	7,324
Equipment expense	50,782	40,639
Gifts	5,566	4,513
Fundraising expense	163,662	205,894
Insurance	378,990	484,368
Interest and penalties	23,503	24,337
Legal fees	33,050	59,665
Meals	48,870	50,973
Miscellaneous	38,990	19,577
Occupancy	20,199	22,490
Payroll taxes	134,060	151,535
Pension and retirement expense	89,432	43,103
Printing and postage	67,233	78,667
Purchases	6,165	302,811
Salaries	1,404,876	1,503,251
Scholarship fund	11,000	9,500
Social events	6,708	3,965
Supplies	15,281	17,406
Taxes and licenses	1,460	557
Telephone / Internet	70,286	86,032
Transcripts	5,110	4,928
Travel and lodging	188,423	199,368
Total expenses	<u>\$ 3,285,453</u>	<u>\$ 3,862,025</u>