CHILDREN OF FALLEN PATRIOTS FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2009
CHILDREN OF FALLEN PATRIOTS FOUNDATION

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DECEMBER 31, 2009

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Children of Fallen Patriots Foundation

We have audited the accompanying statement of financial position of the Children of Fallen Patriots Foundation as of December 31, 2009, and the related statements of activities and changes in net assets, 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 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 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 audit provides 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 the Children of Fallen Patriots Foundation as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary financial information, included in Schedule 1, is presented for purposes of additional analysis and is 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.

Certified Public Accountants

July 20, 2010
CHILDREN OF FALLEN PATRIOTS FOUNDATION

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009

ASSETS

Cash
Contributions receivable
Computer software, net of accumulated depreciation of $18,869

TOTAL ASSETS

$ 199,551
20,575

220,126

LIABILITIES AND UNRESTRICTED NET ASSETS

LIABILITIES
Accounts payable

TOTAL LIABILITIES

4,123

COMMITMENTS AND CONTINGENCIES

UNRESTRICTED NET ASSETS

216,003

TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS

$ 220,126

The accompanying notes to financial statements are an integral part of this statement.
SUPPORT AND REVENUE:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>$143,997</td>
</tr>
<tr>
<td>Interest income</td>
<td>5,319</td>
</tr>
<tr>
<td><strong>TOTAL SUPPORT AND REVENUE</strong></td>
<td><strong>149,316</strong></td>
</tr>
</tbody>
</table>

EXPENSES:

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program services</td>
<td>437,289</td>
</tr>
<tr>
<td>Management and general</td>
<td>62,155</td>
</tr>
<tr>
<td>Depreciation</td>
<td>4,996</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td><strong>504,440</strong></td>
</tr>
</tbody>
</table>

(DECREASE) IN UNRESTRICTED NET ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNRESTRICTED NET ASSETS - BEGINNING OF YEAR</td>
<td>571,127</td>
</tr>
<tr>
<td><strong>UNRESTRICTED NET ASSETS - END OF YEAR</strong></td>
<td><strong>$216,003</strong></td>
</tr>
</tbody>
</table>

The accompanying notes to financial statements are an integral part of this statement.
CASH FLOWS FROM OPERATING ACTIVITIES:

(Decrease) in unrestricted net assets $ (355,124)

Adjustments to reconcile change in net cash provided by operating activities:
Depreciation 4,996

Changes in assets and liabilities:
Decrease in contributions receivable 69,885
Increase in accounts payable 2,070

NET CASH (USED IN) OPERATING ACTIVITIES (278,173)

CASH - BEGINNING OF YEAR 477,724

CASH - END OF YEAR $ 199,551

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

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 contributions pledged for the current year that were actually received in the next year.

(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.

The Foundation's federal and state income tax returns for the years ending after December 31, 2005 remain subject to examination by the taxing authorities. If applicable, the Foundation reports interest and penalties resulting from tax examination adjustments as interest expense and income tax expense.

(continued)
NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 20, 2010, the date that the financial statements are considered 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 believe it is not exposed to any significant credit risk.

NOTE 4 - RELATED PARTY TRANSACTIONS

For the year ended December 31, 2009, contributions include $62,735 donated to the Foundation by members of the Board of Directors. This amount is in excess of management and general expenses.
SUPPLEMENTARY FINANCIAL INFORMATION
## CHILDREN OF FALLEN PATRIOTS FOUNDATION

**FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

<table>
<thead>
<tr>
<th>Description</th>
<th>TOTAL</th>
<th>PROGRAM SERVICES</th>
<th>MANAGEMENT AND GENERAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition</td>
<td>$275,041</td>
<td>$275,041</td>
<td>$</td>
</tr>
<tr>
<td>Books</td>
<td>21,089</td>
<td>21,089</td>
<td>$</td>
</tr>
<tr>
<td>Other educational services</td>
<td>106,201</td>
<td>106,201</td>
<td>$</td>
</tr>
<tr>
<td>Printing</td>
<td>16,602</td>
<td>16,602</td>
<td>$</td>
</tr>
<tr>
<td>Credit card fees</td>
<td>78</td>
<td>78</td>
<td>$</td>
</tr>
<tr>
<td>Video</td>
<td>1,229</td>
<td>1,229</td>
<td>$</td>
</tr>
<tr>
<td>Computer consulting</td>
<td>8,120</td>
<td>8,120</td>
<td>$</td>
</tr>
<tr>
<td>Website maintenance</td>
<td>8,929</td>
<td>8,929</td>
<td>$</td>
</tr>
<tr>
<td>Telephone and internet</td>
<td>4,390</td>
<td>-</td>
<td>4,390</td>
</tr>
<tr>
<td>Consulting</td>
<td>37,115</td>
<td>-</td>
<td>37,115</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>3,226</td>
<td>-</td>
<td>3,226</td>
</tr>
<tr>
<td>Supplies</td>
<td>763</td>
<td>-</td>
<td>763</td>
</tr>
<tr>
<td>Postage</td>
<td>2,483</td>
<td>-</td>
<td>2,483</td>
</tr>
<tr>
<td>Accounting</td>
<td>9,000</td>
<td>-</td>
<td>9,000</td>
</tr>
<tr>
<td>Bookkeeping</td>
<td>5,178</td>
<td>-</td>
<td>5,178</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>499,444</strong></td>
<td><strong>437,289</strong></td>
<td><strong>62,155</strong></td>
</tr>
</tbody>
</table>

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