



**WDR**  
CPAs & Business Advisors

WHITTEMORE, DOWEN  
& RICCIARDELLI, LLP

NEW YORK STATE  
CORRECTIONAL OFFICERS & POLICE BENEVOLENT  
ASSOCIATION, INC. AND AFFILIATE

Independent Auditor's Report

Financial Statements

Years Ended December 31, 2017 and 2016



WHITTEMORE, DOWEN  
& RICCIARDELLI, LLP

NEW YORK STATE CORRECTIONAL  
OFFICERS & POLICE BENEVOLENT  
ASSOCIATION, INC. AND AFFILIATE

Table of Contents

	Page
Independent Auditor's Report	1-2
Financial Statements	
Combined Statements of Financial Position	3-4
Combined Statements of Activities and Changes in Net Assets	5
Combined Statements of Cash Flows	6
Notes to Financial Statements	7-18



WHITTEMORE, DOWEN  
& RICCIARDELLI, LLP

333 Aviation Road, Bldg B  
Queensbury, NY 12804  
Ph: (518)792-0918  
Fax: (518)743-0882  
www.wdr CPA.com

## INDEPENDENT AUDITOR'S REPORT

To The Executive Board  
New York State Correctional  
Officers & Police Benevolent  
Association, Inc. and Affiliate

We have audited the accompanying combined financial statements of New York State Correctional Officers & Police Benevolent Association, Inc. (the "Association") and Affiliate (a nonprofit organization), which comprise the combined statements of financial position as of December 31, 2017 and 2016, and the related combined statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the combined financial statements.

### **Management's Responsibility for the Combined Financial Statements**

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of New York State Correctional Officers & Police Benevolent Association, Inc. and Affiliate as of December 31, 2017 and 2016 and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Whittemore, Downen & Ricciardelli, LLP*

Whittemore, Downen & Ricciardelli, LLP  
Queensbury, New York

May 8, 2018

NEW YORK STATE CORRECTIONAL OFFICERS &  
POLICE BENEVOLENT ASSOCIATION, INC. AND AFFILIATE

Combined Statements of Financial Position

December 31, 2017 and 2016

ASSETS	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash and cash equivalents	\$ 1,545,817	\$ 274,986
Designated cash	133,174	90,159
Restricted cash - current portion	3,733	133,174
Investments	6,362,275	9,121,602
Dues receivable	939,794	899,253
Accounts receivable	106,923	226,301
Rainy day fund overpayments receivable - net of allowance for doubtful accounts of \$202,809 and \$-, respectively	99,891	-
Prepaid expenses	<u>371,922</u>	<u>422,822</u>
Total Current Assets	<u>9,563,529</u>	<u>11,168,297</u>
Property and equipment, net	<u>1,708,415</u>	<u>1,669,167</u>
Other Assets:		
Deposits	7,625	7,400
Restricted cash - net of current portion	702,023	880,009
Restricted investments	<u>1,485,771</u>	<u>978,846</u>
Total Other Assets	<u>2,195,419</u>	<u>1,866,255</u>
Total Assets	<u><u>\$ 13,467,363</u></u>	<u><u>\$ 14,703,719</u></u>

See Independent Auditor's Report and Notes

NEW YORK STATE CORRECTIONAL OFFICERS &  
POLICE BENEVOLENT ASSOCIATION, INC. AND AFFILIATE

Combined Statements of Financial Position

December 31, 2017 and 2016

LIABILITIES AND NET ASSETS	<u>2017</u>	<u>2016</u>
Current Liabilities:		
Accounts payable	\$ 423,319	\$ 226,112
Accrued expenses	318,036	320,915
Accrued compensation	84,085	80,276
Officer release time payable	<u>910,065</u>	<u>962,465</u>
Total Current Liabilities	<u>1,735,505</u>	<u>1,589,768</u>
Long-Term Liabilities:		
Unfunded pension liability	900,359	806,862
Deferred compensation liability	<u>270,450</u>	<u>382,140</u>
Total Long-Term Liabilities	<u>1,170,809</u>	<u>1,189,002</u>
Total Liabilities	<u>2,906,314</u>	<u>2,778,770</u>
Net Assets:		
Unrestricted Net Assets:		
Designated:		
Rainy day fund	250,000	250,000
Political action committee	133,174	90,159
Undesignated	<u>7,867,051</u>	<u>9,718,901</u>
Total Unrestricted Net Assets	8,250,225	10,059,060
Temporarily Restricted Net Assets	<u>2,310,824</u>	<u>1,865,889</u>
Total Net Assets	<u>10,561,049</u>	<u>11,924,949</u>
Total Liabilities and Net Assets	<u>\$ 13,467,363</u>	<u>\$ 14,703,719</u>

See Independent Auditor's Report and Notes

NEW YORK STATE CORRECTIONAL OFFICERS &  
POLICE BENEVOLENT ASSOCIATION AND AFFILIATE

Combined Statements of Activities and Changes in Net Assets

Years Ended December 31, 2017 and 2016

REVENUE	<u>2017</u>	<u>2016</u>
Unrestricted Net Assets:		
Membership and agency shop dues	\$ 12,993,194	\$ 12,962,532
Interest income	282,052	403,768
Realized loss on investments	(22,273)	(285,591)
Unrealized gain on investments	53,343	445,761
Bond amortization	(105,205)	(290,377)
Rental income	27,408	-
Benefit fund income	-	213,593
Miscellaneous income	64,887	174,948
	<u>13,293,406</u>	<u>13,624,634</u>
Net Assets Released From Restrictions:		
Restrictions satisfied by payments	<u>1,448,146</u>	<u>1,164,528</u>
	<u>14,741,552</u>	<u>14,789,162</u>
EXPENSES		
Membership development	15,290,872	15,716,334
Membership insurance	537,173	538,973
Political action committee	653,518	696,117
	<u>16,481,563</u>	<u>16,951,424</u>
	<u>(1,740,011)</u>	<u>(2,162,262)</u>
Change in pension funded status	<u>(68,824)</u>	<u>60,547</u>
	<u>(1,808,835)</u>	<u>(2,101,715)</u>
Temporarily Restricted Net Assets:		
Legal defense fund dues	554,382	555,624
Legal defense fund bond interest	29,821	54,625
Unrealized gain on legal defense fund bonds	6,148	55,569
Realized loss on legal defense fund bonds	-	(89,306)
Rainy day fund dues and repayments	1,302,730	924,698
Less: net assets released from restrictions	<u>(1,448,146)</u>	<u>(1,164,528)</u>
	<u>444,935</u>	<u>336,682</u>
	<u>(1,363,900)</u>	<u>(1,765,033)</u>
Net Assets at Beginning of Year	<u>11,924,949</u>	<u>13,689,982</u>
Net Assets at End of Year	<u>\$ 10,561,049</u>	<u>\$ 11,924,949</u>

See Independent Auditor's Report and Notes



NEW YORK STATE CORRECTIONAL OFFICERS &  
POLICE BENEVOLENT ASSOCIATION, INC. AND AFFILIATE

Combined Statements of Cash Flows

Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows From Operating Activities:		
Decrease in Net Assets	\$ (1,363,900)	\$ (1,765,033)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and amortization	116,566	138,261
Loss on abandoned equipment	-	650
Unrealized (gain) on investments	(59,491)	(501,330)
Realized loss on investments	22,273	374,897
Increase in unfunded pension liability	93,497	18,348
Bad debt - rainy day fund	202,809	-
Bond amortization	105,205	290,377
(Increase) Decrease in:		
Dues receivable	(40,541)	(105,018)
Accounts receivable	119,378	(97,015)
Rainy day fund overpayments receivable	(302,700)	-
Prepaid expenses	50,900	48,541
Increase (Decrease) in:		
Accounts payable	197,207	72,097
Accrued expenses	(2,879)	(7,714)
Accrued compensation	3,809	6,108
Deferred revenue	-	(213,593)
Officer release time payable	(52,400)	10,383
	<u>(910,267)</u>	<u>(1,730,041)</u>
Net Cash Provided (Used) by Operating Activities		
Cash Flows From Investing Activities:		
Purchases of property and equipment	(155,813)	(118,738)
Purchases of investments	(2,305,663)	(4,301,649)
Proceeds from sale of investments	4,490,077	5,434,898
Decrease in deposits	(225)	-
	<u>2,028,376</u>	<u>1,014,511</u>
Net Cash Provided (Used) by Investing Activities		
Cash Flows From Financing Activities:		
Change in deferred compensation liability	(111,690)	2,857
	<u>(111,690)</u>	<u>2,857</u>
Net Cash Provided (Used) by Financing Activities		
Net Increase (Decrease) in Cash, Cash Equivalents, Designated Cash, and Restricted Cash	1,006,419	(712,673)
Cash, Cash Equivalents, Designated Cash, and Restricted Cash at Beginning of Year	<u>1,378,328</u>	<u>2,091,001</u>
Cash, Cash Equivalents, Designated Cash, and Restricted Cash at End of Year	<u>\$ 2,384,747</u>	<u>\$ 1,378,328</u>

See Independent Auditor's Report and Notes

NEW YORK STATE CORRECTIONAL  
OFFICERS & POLICE BENEVOLENT  
ASSOCIATION, INC. AND AFFILIATE

Notes to Financial Statements

December 31, 2017 and 2016

**Organization**

The New York State Correctional Officers & Police Benevolent Association, Inc. (the "Association") was established in 1998, when its constitution was adopted, as a not-for-profit organization to further the interests of its membership by seeking improved terms and conditions of employment, to render moral and material aid to members as needed, to participate in the legislative process and to provide representation and/or counsel in legal proceedings. All members of Security Services of the State of New York are eligible for active membership in the Association upon their first day of employment. The loss of the Association's right to represent the membership could have a material adverse effect on the operations and financial condition of the Association.

The Association maintained 68 sector chapters throughout New York State during 2017 and 2016. Each sector is entitled to receive a dues allocation, based on sector membership, to be used for local activities. These allocations are based upon the number of bargaining unit members at the respective sector. Unexpended dues allocations to sectors are included in cash and cash equivalents.

The Association and New York State have established legal defense and indemnification programs to be used for representation of the Association's members in certain matters arising out of the discharge of their duties in the course of their employment. The Association may be reimbursed by New York State pursuant to state law. Reimbursement by New York State is recognized as revenue when New York State notifies the Association that the reimbursement application has been approved.

**Significant Accounting Policies**

**Basis of Combination**

The combined financial statements include the Association and the New York State Correctional Officers Police Benevolent Association, Inc. Political Action Committee (the "Committee"). The Committee operates as a separate organization and is funded by the Association to promote political and ideological causes.

**Accounting Basis**

The combined financial statements are prepared on the accrual basis of accounting in accordance with the principles established by the Audit and Accounting Guide, Not-for-Profit Entities, issued by the American Institute of Certified Public Accountants.

**Use of Estimates**

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could vary from the estimates that were used.

**Membership Revenue**

Membership dues and agency fees are the primary sources of revenue for the Association and are collected from members through payroll deductions by the New York State Office of the State Comptroller and remitted periodically to the Association. Dues are recognized as revenue during the period in which they relate and are established.

NEW YORK STATE CORRECTIONAL  
OFFICERS & POLICE BENEVOLENT  
ASSOCIATION, INC. AND AFFILIATE

Notes to Financial Statements

December 31, 2017 and 2016

**Significant Accounting Policies – Continued**

Life Insurance Program

The Association maintains the records for a group life insurance program for all members which is currently funded by the Association. The insurance carrier bears the risk of loss related to the insurance program. The Association receives an administrative fee which has been recorded as revenue on the combined statements of activities and changes in net assets.

Cash and Cash Equivalents

The Association considers certain liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents consist primarily of money market mutual funds. At December 31, 2017 and 2016, \$133,174 and \$90,159, respectively was designated for the Political Action Committee.

Investments

Investments in marketable securities are stated at fair value in the combined statements of financial position. The fair value of bonds is based upon quoted prices for similar securities in active markets. Realized and unrealized gains and losses are included in the statements of activities and changes in net assets as net realized and unrealized gains (losses) on investments.

Fair Value Measures

The Association has adopted ASC 820-10. ASC 820-10 defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America (GAAP) and expands disclosures about fair value measurements. ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under ASC 820-10 are:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 – Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

Dues and Accounts Receivable

Dues receivable are amounts withheld from members' payroll and are periodically remitted to the Association by New York State. They are considered fully collectible and, accordingly, no allowance for doubtful accounts is required.

Accounts receivable at 2017 and 2016 represent fees receivable for the administration of member information for member insurance policies, as well as interest receivable on bond investments. All are considered fully collectible and no allowance for doubtful accounts is required. No interest is charged on past-due balances. If accounts become uncollectible, they will be written off when that determination is made.

NEW YORK STATE CORRECTIONAL  
OFFICERS & POLICE BENEVOLENT  
ASSOCIATION, INC. AND AFFILIATE

Notes to Financial Statements

December 31, 2017 and 2016

**Significant Accounting Policies – Continued**

**Dues and Accounts Receivable – Continued**

For the year ended December 31, 2017, a receivable account was established for overpayments related to the rainy day fund. Those members that receive benefits while out of work are required to pay back what they received from the fund if they are later compensated by the Department of Corrections for the period that they were out. It was determined that about one third of the receivable is expected to be collected and therefore, an allowance account has been established for two thirds of the receivable balance at year-end.

**Property and Equipment**

Property and equipment is stated at cost. It is the Association's policy to capitalize assets costing at least \$500. Expenditures for maintenance, repairs and renewals are charged to expense, whereas major additions are capitalized. The cost and accumulated depreciation of assets retired, sold or otherwise disposed of are eliminated from the accounts and resulting gains or losses, if any, are reflected through the combined statements of activities and changes in net assets.

Depreciation is computed over the estimated useful asset lives, using a mid-year convention for the first year placed in service, as follows:

Building and improvements	7 to 40 years
Vehicles	5 years
Furniture, fixtures and equipment	3 to 7 years

**Officer Release Time Payable**

Officer release time payable represents amounts owed to New York State for reimbursement of the portion of officers' salaries and fringe benefits that relate to time incurred for Association activities. During 2013, the Association entered into an agreement with the New York State Governor's Office of Employee Relations to reimburse New York State for accumulated sick leave for employees who are not officers of the Association to provide retirement related benefits that are similar to other New York State employees. The sick leave benefit reimbursement is included with all other salaries and fringe benefits.

**Tax-Exempt Status**

The Association is a not-for-profit association which is exempt from federal income taxes under Section 501(c)(5) of the Internal Revenue Code. As of December 31, 2017, the tax years that remain subject to examination by taxing authorities begin with 2014.

For the year ended December 31, 2017, a \$4,000 penalty was imposed by the Department of Labor relating to unfiled Form 5500's for the legal defense fund during the period of December 31, 2012 through December 31, 2015. The \$4,000 was paid and recorded as a miscellaneous expense during 2017.

**Reclassification**

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the current year presentation. These reclassifications had no effect on reported changes in net assets.

**Concentrations of Credit Risk**

Financial instruments which potentially expose the Association to concentrations of credit risk, consist of cash balances in financial institutions, as well as investment accounts in excess of federally insured limits.

NEW YORK STATE CORRECTIONAL  
OFFICERS & POLICE BENEVOLENT  
ASSOCIATION, INC. AND AFFILIATE

Notes to Financial Statements

December 31, 2017 and 2016

**Concentrations of Credit Risk – Continued**

Cash on deposit is insured for up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and cash and securities at brokerage firms are insured for up to \$500,000, with a limit of \$250,000 for cash, by the Securities Investor Protection Corporation (SIPC). The risk is managed by maintaining deposits in high quality financial institutions. Cash at risk at December 31, 2017 and 2016, was \$3,138,042 and \$1,426,418, respectively. Investments in investment accounts are subject to general market risk.

**Cash and Cash Equivalents, Designated Cash and Restricted Cash**

The following table provides a reconciliation of cash, cash equivalents, designated cash and restricted cash reported within the combined statements of financial position that sum to the total of the same amounts shown in the combined statements of cash flows at December 31, 2017 and 2016, as follows:

	2017	2016
Cash and cash equivalents	\$ 1,545,817	\$ 274,986
Designated cash	133,174	90,159
Restricted cash - current portion	3,733	133,174
Restricted cash - net of current portion	702,023	880,009
 Total cash, cash equivalents, designated cash and restricted cash	 \$ 2,384,747	 \$ 1,378,328

**Investments and Restricted Investments**

Unrestricted investments, stated at fair market value, are summarized as follows:

	2017	2016
Bonds	\$ 6,362,275	\$ 9,121,602
Less: cost basis	(6,361,421)	(9,174,091)
Net unrealized gain (loss)	\$ 854	\$ (52,489)

In 2017 and 2016, costs have been changed to reflect bond amortization reported by a new investment company.

Restricted Investments include bonds held by the legal defense fund. These bonds, stated at fair market value, are summarized as follows:

	2017	2016
Bonds	\$ 1,485,771	\$ 978,846
Less: cost basis	(1,480,628)	(979,851)
Net unrealized gain (loss)	\$ 5,143	\$ (1,005)

NEW YORK STATE CORRECTIONAL  
OFFICERS & POLICE BENEVOLENT  
ASSOCIATION, INC. AND AFFILIATE

Notes to Financial Statements

December 31, 2017 and 2016

**Investments and Restricted Investments – Continued**

All bond investments bear general stock market risk. All of the investments are level 1 significant observable inputs at both December 31, 2017 and 2016. There were no transfers between levels during either fiscal year December 31, 2017 or 2016.

The following summarizes the investment return and its classification in the combined statements of activities and changes in net assets for the years ended December 31, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Interest income, unrestricted	\$ 282,052	\$ 403,768
Realized loss on investments, unrestricted	(22,273)	(285,591)
Unrealized gain on investments, unrestricted	53,343	445,761
Bond amortization, unrestricted	(105,205)	(290,377)
Interest income, restricted	29,821	54,625
Realized loss, restricted	-	(89,306)
Unrealized gain (loss) on investments, restricted	6,148	55,569

**Property and Equipment**

Property and equipment is as follows as of December 31:

	<u>2017</u>	<u>2016</u>
Building	\$ 1,131,532	\$ 1,131,532
Land	124,000	124,000
Building improvements	919,180	778,243
Vehicles	45,009	45,009
Furniture, fixtures and equipment	896,411	933,008
Total property and equipment	3,116,132	3,011,792
Less: accumulated depreciation	(1,407,717)	(1,342,625)
Net property and equipment	<u>\$ 1,708,415</u>	<u>\$ 1,669,167</u>

Depreciation and amortization expense for the years ended December 31, 2017 and 2016 was \$116,566 and \$138,261, respectively.

NEW YORK STATE CORRECTIONAL  
OFFICERS & POLICE BENEVOLENT  
ASSOCIATION, INC. AND AFFILIATE

Notes to Financial Statements

December 31, 2017 and 2016

**Deferred Compensation Liability**

The Association has a policy whereby they pay retiring employees and officers on union leave for two weeks of their Department of Corrections payroll for every year that they work for the Association. Any portion of one year equates to one year of service. During 2015, the policy was amended to allow individuals to take a portion of the deferred compensation prior to retirement. A summary of amounts owed and paid during 2017 and 2016 follows:

	2017	2016
Opening Balance, January 1,	\$ 382,140	\$ 379,283
Additional compensation	74,468	83,345
Payments	(186,158)	(80,488)
Balance, December 31	\$ 270,450	\$ 382,140

**Temporarily Restricted Net Assets**

Temporarily restricted net assets represent assets available for legal defense and rainy day fund payments. The legal defense fund is available for payments to members who are legally charged as a result of actions taken while performing their assigned duties. The rainy day fund is available for payments to members who are suspended without pay for disciplinary reasons with supplemental income during the time they are suspended. In addition, there is a provision whereby members who have not used the rainy day fund during their membership with NYSCOPBA may receive a payment of \$50 per year of participation upon termination or retirement, excluding the first year of operation of the fund. Those members who have received a benefit may receive the termination payment only if they reimburse the fund for all amounts previously received. No accrual for the termination benefit has been included in the financial statements for 2017 and 2016 because the earliest that the benefit may be paid is in March of 2018. Based upon the number of members (in excess of 21,000), at a payment of \$50 each, future accruals could exceed \$1,000,000 per year.

During 2012, the Association approved the establishment of the legal defense fund. Dues are collected in the amount of \$1 per member per pay period.

The rainy day fund was established on March 1, 2016. \$250,000 of unrestricted cash was moved to the rainy day fund. Dues are collected in the amount of \$2 per member per pay period. The Association has established separate bank accounts for both funds. The accounts are included in other assets on the combined statements of financial position as restricted cash. Legal defense fund cash was \$702,023 and \$880,009 at December 31, 2017 and 2016, respectively. The legal defense fund also had investments in the amount of \$1,485,771 and \$978,846 at December 31, 2017 and 2016, respectively.

The rainy day fund cash was \$3,733 and \$133,174 at December 31, 2017 and 2016, respectively. The rainy day fund also had receivables in the amount of \$30,503 and \$109,800, at December 31, 2017 and 2016, respectively. The receivable represents amounts paid to the third party who administers the fund for payment of future benefits. Amounts due from members to the rainy day fund was \$302,700 and \$-, with an associated allowance account in the amount of \$202,809 and \$-, for the years ended December 31, 2017 and 2016, respectively.

NEW YORK STATE CORRECTIONAL  
OFFICERS & POLICE BENEVOLENT  
ASSOCIATION, INC. AND AFFILIATE

Notes to Financial Statements

December 31, 2017 and 2016

**Temporarily Restricted Net Assets – Continued**

Total temporarily restricted net assets at December 31, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Legal defense fund	\$ 2,269,996	\$ 1,803,641
Rainy day fund	40,828	62,248
	<u>\$ 2,310,824</u>	<u>\$ 1,865,889</u>

**Fundraising Income and Expenses**

There were no fundraising events in 2017 or 2016.

**Operating Leases**

The Association leases satellite office space and equipment under non-cancelable leases through December 2021. Total rent expense amounted to \$89,941 and \$96,953 for the years ended December 31, 2017 and 2016, respectively. Total rent expense includes a maintenance contract fee of \$4,282 and \$8,036 for the years ended December 31, 2017 and 2016, respectively. Obligations under all operating leases are as follows:

Years ending December 31,	
2018	\$ 90,009
2019	80,109
2020	56,481
2021	38,076
2022	<u>11,584</u>
Total	<u>\$ 276,259</u>

In addition, the Association leases a temporary residence for one officer whose actual residence is too far to travel on a regular basis. Total monthly rent was \$1,845 per month through July 2016, when the rent increased to \$1,860 per month through July 2017. As of August 1, 2017, the lease was renewed with monthly rent charges of \$2,010 through August 2018. Total rent expense for the residence was \$23,070 and \$22,215 for the years ended December 31, 2017 and 2016, respectively. The obligation under this lease is \$16,080 for the year ended December 31, 2018.



NEW YORK STATE CORRECTIONAL  
OFFICERS & POLICE BENEVOLENT  
ASSOCIATION, INC. AND AFFILIATE

Notes to Financial Statements

December 31, 2017 and 2016

**Pension Plans**

The Association maintains a non-contributory, defined benefit pension plan covering employees hired subsequent to July 1, 2000. Benefits are based on years of service and the employee's compensation. The Association's funding policy is to contribute annually an amount which is within the range established by the Employee Retirement Income Security Act (ERISA) of 1974. The following amounts are based on reported assets as of December 31, 2017 and census information as of July 1, 2017 projected to December 31, 2017:

	<u>2017</u>	<u>2016</u>
Change in Benefit Obligation:		
Benefit obligation at beginning of period	\$ 1,636,482	\$ 1,428,399
Service cost	164,742	153,273
Interest cost	72,787	63,870
Actuarial (gain)/loss	139,097	(9,060)
Benefits paid	(143,237)	-
Assumption change	-	-
	<u>\$ 1,869,871</u>	<u>\$ 1,636,482</u>
Benefit obligation at end of period		
Fair value of plan assets at beginning of period	\$ 829,620	\$ 639,885
Actual return on plan assets	101,904	64,281
Employer contributions paid and payable	181,225	125,454
Benefits paid	(143,237)	-
	<u>\$ 969,512</u>	<u>\$ 829,620</u>
Fair value of plan assets at end of period		
Funded status	\$ (900,359)	\$ (806,862)
Accumulated unrecognized net actuarial loss	<u>512,940</u>	<u>444,116</u>
	<u>\$ (387,419)</u>	<u>\$ (362,746)</u>
Accrued benefit cost		
Components of Net Periodic Benefit Cost:		
Service cost	\$ 164,741	\$ 153,273
Interest cost	72,787	63,870
Expected return on plan assets	(54,121)	(43,404)
Amortization of actuarial loss	<u>22,491</u>	<u>30,610</u>
	<u>\$ 205,898</u>	<u>\$ 204,349</u>
Net periodic benefit cost		

The accumulated benefit obligation at December 31, 2017 and 2016 was \$1,479,274 and \$1,326,128, respectively.

At December 31, 2017 and 2016, the underfunded pension liability is included on the combined statements of financial position as an unfunded pension liability in the amount of \$900,359 and \$806,862, respectively. This amount is the net of the projected benefit obligation less plan assets at fair value, and less an additional \$35,000 contribution required by the administrator at year end included in accounts payable at December 31, 2017. The change in accumulated unrecognized net actuarial loss is recorded in the combined statements of activities and changes in net assets as the change in pension funded status.

NEW YORK STATE CORRECTIONAL  
OFFICERS & POLICE BENEVOLENT  
ASSOCIATION, INC. AND AFFILIATE

Notes to Financial Statements

December 31, 2017 and 2016

**Pension Plans – Continued**

At December 31, 2017 and 2016, the accumulated unrecognized loss includes the following:

	2017	2016
Net actuarial loss	\$ 512,940	\$ 444,116
Prior service cost	-	-
Transition obligation	-	-
	\$ 512,940	\$ 444,116

**Plan Assumptions**

Weighted-average assumptions used in developing the benefit obligation and net periodic cost at December 31 were based on historical experience as follows:

	2017	2016
<b>Benefit Obligations:</b>		
Discount rate	3.50%	4.50%
Rate of compensation increase	3.00%	3.00%
<b>Net Periodic Benefit Cost:</b>		
Discount rate	4.50%	4.50%
Rate of compensation increase	3.00%	3.00%
Expected return of assets	6.00%	6.00%

**Plan Assets**

The Association's plan assets are invested primarily in mutual funds.

**Contributions**

The Association contributed \$146,225 and \$125,454 for the fiscal years ended December 31, 2017 and 2016, respectively. An additional \$35,000 in contributions for 2017, as required by the administrator, was recorded in accounts payable at year end and subsequently paid in January 2018.

**Cash Flows**

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Years ending	
December 31,	
2018	\$ 240,000
2019	-
2020	-
2021	-
2022	257,000
2023-2027	1,323,000

**New Plan**

During 2017, the Association initiated a 401(k) pension plan to cover both employees and officers. As of December 31, 2017, there were no members in the plan.

NEW YORK STATE CORRECTIONAL  
OFFICERS & POLICE BENEVOLENT  
ASSOCIATION, INC. AND AFFILIATE

Notes to Financial Statements

December 31, 2017 and 2016

**Natural Expenses**

The following expenses for the years ended December 31, 2017 and 2016 are presented below according to their natural expense classification:

	2017	2016
Expenses:		
Payroll	\$ 1,351,253	\$ 1,328,969
Payroll taxes and employee benefits	452,364	480,359
Union leave	2,658,035	3,030,645
Net deferred union leave compensation	(111,690)	2,857
Legal Fees:		
Lobbying	50,000	131,000
Legal representation	2,397,000	2,350,159
Defense attorneys	209,464	302,079
Arbitration	245,525	-
Other	421,826	400,461
Consulting and other professional fees	151,424	176,653
Member benefits	2,122,623	1,739,914
Training/regional meetings	41,314	5,431
Sector Expenses:		
Operations	943,509	894,464
Special projects	912,453	799,318
Occupancy and utilities	330,754	278,000
Office supplies and expenses	169,348	135,535
Printing	113,487	142,368
Postage	89,207	70,889
PAC expenses	256,985	375,320
Legislative expenses	396,533	320,797
Telephone	88,247	92,706
Insurance	61,963	55,080
Equipment rental	30,166	37,697
Public relations	1,595,012	2,245,226
Depreciation and amortization	116,566	138,261
Travel and meetings	1,373,062	1,408,005
Miscellaneous	15,133	9,231
	<b>\$ 16,481,563</b>	<b>\$ 16,951,424</b>

**Public Relations**

Public relations expenses include advertising expenses and are recorded as incurred. Public relations expense for the years ended December 31, 2017 and 2016 was \$1,595,012 and \$2,245,226, respectively.

NEW YORK STATE CORRECTIONAL  
OFFICERS & POLICE BENEVOLENT  
ASSOCIATION, INC. AND AFFILIATE

Notes to Financial Statements

December 31, 2017 and 2016

**Political Action Committee**

Summarized financial data of the Political Action Committee as of and for the years ended December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Assets and board designated net assets	\$ 133,174	\$ 90,159
Revenues	300,000	300,000
Expenses	(256,985)	(375,319)

**Tenant Leases**

The Association leased previously vacant office space in its facility located at Hackett Boulevard in Albany, New York starting in July, 2017. The lease term is for five years expiring July, 2022, with a fixed monthly rent in the amount of \$4,568. Total rental income amounted to \$27,408 and \$- for the years ended December 31, 2017 and 2016, respectively.

Future minimum rent income is as follows:

Years ending	
December 31,	
2018	\$ 54,816
2019	54,816
2020	54,816
2021	54,816
2022	<u>27,408</u>
 Total	 <u>\$ 246,672</u>

Total cost of the land, building, building improvements and related accumulated depreciation for the property both rented and occupied by the Association to accomplish its tax-exempt purposes are as follows:

	<u>2017</u>
Cost	\$ 2,174,712
Less: accumulated depreciation	<u>(533,035)</u>
 Net book value	 <u>\$ 1,641,677</u>

**Contingencies**

The Association was named in a lawsuit involving the death of an inmate at one of the facilities whose employees are represented by NYSCOPBA. This lawsuit has been dismissed. During 2017, a member of the Association has named the Association in a lawsuit involving overtime assignments. Management, after consultation with counsel, intends to vigorously defend their position and is of the opinion that the ultimate resolution of this matter will not have a material adverse effect on the Association's financial position or results of operations.

NEW YORK STATE CORRECTIONAL  
OFFICERS & POLICE BENEVOLENT  
ASSOCIATION, INC. AND AFFILIATE

Notes to Financial Statements

December 31, 2017 and 2016

**Subsequent Events**

The Association has evaluated all events through May 8, 2018, the date which these combined financial statements were available to be issued, and determined that there are no subsequent events which require disclosure.

