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

Independent Auditor's Report

Financial Statements

December 31, 2019
(With Comparative Totals for 2018)

WHITTEMORE, DOWEN
& RICCIARDELLI, LLP

CPAs & Business Advisors

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

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WDR
CPAs & Business Advisors
Whittemore, Dowen & Ricciardelli, LLP

333 Aviation Road, Bldg B
Queensbury, NY 12804
Ph: (518)792-0918
Fax: (518)743-0882
www.wdrcpa.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 statement of financial position as of December 31, 2019, and the related combined statements of activities and changes in net assets, functional expenses, and cash flows for the year 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, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited New York State Correctional Officers & Police Benevolent Association, Inc. and Affiliate's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 24, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Whittemore, Dowen & Ricciardelli, LLP

Whittemore, Dowen & Ricciardelli, LLP
Queensbury, New York

May 6, 2020

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

Combined Statements of Financial Position

December 31, 2019 and 2018

ASSETS	2019	2018
Current Assets:		
Cash and cash equivalents	$ 4,796,103	$ 1,590,441
Designated cash	244,049	154,499
Restricted and board designated cash, current portion	541,311	100,580
Investments	6,358,772	5,375,051
Dues receivable	1,120,802	968,050
Accounts receivable	393,503	74,389
Accounts receivable, restricted	92,103	24,393
Rainy day fund overpayments receivable, net of allowance for doubtful accounts of $40,800 and $96,500, respectively	346,565	385,940
Prepaid expenses	425,285	380,049
Total Current Assets	14,318,493	9,053,392
Property and equipment, net	1,854,557	1,672,894
Other Assets:		
Deposits	9,125	9,125
Restricted cash, net of current portion	875,811	1,231,336
Restricted investments	1,826,158	1,249,577
Total Other Assets	2,711,094	2,490,038
Total Assets	$ 18,884,144	$ 13,216,324

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, 2019 and 2018

LIABILITIES AND NET ASSETS	2019	2018
Current Liabilities:		
Accounts payable	$ 484,271	$ 458,807
Accrued expenses	196,971	268,911
Accrued compensation	46,588	95,865
Officer release time payable	1,059,665	1,155,427
Deferred revenue	235,797	-
Total Current Liabilities	2,023,292	1,979,010
Long-Term Liabilities:		
Accrued rainy day fund separation benefit	1,008,700	1,066,500
Unfunded pension liability	1,148,757	831,051
Deferred compensation liability	194,848	268,474
Security deposit	5,600	5,600
Total Long-Term Liabilities	2,357,905	2,171,625
Total Liabilities	4,381,197	4,150,635
Net Assets:		
Without Donor Restrictions:		
Designated by Executive Board for:		
Rainy day fund	250,000	-
Political action committee	244,049	154,499
Undesignated	10,961,195	6,759,622
Total Net Assets Without Donor Restrictions	11,455,244	6,914,121
With Donor Restrictions:		
Legal defense fund	2,915,241	2,567,440
Rainy day fund	132,462	(415,872)
Total Net Assets With Donor Restrictions	3,047,703	2,151,568
Total Net Assets	14,502,947	9,065,689
Total Liabilities and Net Assets	$ 18,884,144	$ 13,216,324

See Independent Auditor's Report and Notes

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

Combined Statement of Activities and Changes in Net Assets

Year Ended December 31, 2019
(With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Totals	2018 Totals
Operating:				
Revenue:				
Dues:				
Membership and agency shop dues	$ 15,421,213	$ -	$ 15,421,213	$ 13,120,393
Legal defense fund dues	-	550,132	550,132	550,897
Rainy day fund dues	-	1,100,204	1,100,204	1,101,795
Rainy day fund repayments	-	136,620	136,620	494,434
Investment return, net	310,699	122,611	433,310	87,418
Rental income	88,416	-	88,416	57,616
Benefit fund income	3,422,822	-	3,422,822	-
Miscellaneous income	409,392	-	409,392	64,955
Net Assets Released From Restrictions:				
Restrictions satisfied by payments	1,013,432	(1,013,432)	-	-
Total Revenue	20,665,974	896,135	21,562,109	15,477,508
Expenses:				
Program services	13,380,049	-	13,380,049	15,187,095
Support services:				
Management and general	1,568,656	-	1,568,656	1,028,659
Membership development	833,329	-	833,329	854,148
Total Expenses	15,782,034	-	15,782,034	17,069,902
Increase (Decrease) in Net Assets From Operating Activities	4,883,940	896,135	5,780,075	(1,592,394)
Nonoperating:				
Other components of net periodic pension cost	(25,111)	-	(25,111)	(34,395)
Change in pension funded status	(317,706)	-	(317,706)	131,429
Increase (Decrease) in Net Assets	4,541,123	896,135	5,437,258	(1,495,360)
Net Assets at Beginning of Year	6,914,121	2,151,568	9,065,689	10,561,049
Net Assets at End of Year	$ 11,455,244	$ 3,047,703	$ 14,502,947	$ 9,065,689

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

Combined Statement of Functional Expenses

Year Ended December 31, 2019
(With Comparative Totals for 2018)

	Program Services	Support Services: Management and General	Support Services: Membership Development	2019 Totals	2018 Totals
Payroll	$ 797,186	$ 590,508	$ 88,576	$ 1,476,270	$ 1,352,863
Payroll taxes and employee benefits	316,656	75,395	38,774	430,825	430,707
Subtotal	1,113,842	665,903	127,350	1,907,095	1,783,570
Consulting and other professional fees	55,000	107,164	-	162,164	196,815
Depreciation and amortization	60,643	14,439	7,426	82,508	88,344
Equipment rental	31,207	7,430	3,821	42,458	36,932
Insurance	49,304	11,739	6,037	67,080	64,114
Legal Fees:					
Arbitration	123,704	-	-	123,704	-
Defense attorneys	324,942	-	-	324,942	257,176
Legal representation	1,834,469	436,778	224,629	2,495,876	2,444,940
Other	331,469	78,921	40,588	450,978	458,885
Legislative expenses	202,595	-	-	202,595	207,048
Member benefits	1,591,898	-	-	1,591,898	3,134,662
Miscellaneous	133	9,644	-	9,777	15,762
Occupancy and utilities	222,317	52,933	27,223	302,473	312,163
Office supplies and expenses	119,837	28,533	14,674	163,044	142,442
PAC expenses	210,450	-	-	210,450	278,675
Postage	45,058	10,728	5,518	61,304	67,886
Printing	42,460	10,110	5,199	57,769	83,540
Public relations	1,669,973	-	-	1,669,973	1,770,497
Repairs and maintenance	2,172	517	266	2,955	140
Sector Expenses:					
Operations	759,944	-	-	759,944	755,543
Special projects	788,382	-	-	788,382	781,942
Telephone	69,339	16,509	8,490	94,338	78,281
Training/regional meetings	-	-	68,839	68,839	84,239
Travel and meetings	1,208,797	-	-	1,208,797	1,332,348
Union leave	2,522,114	117,308	293,269	2,932,691	2,693,958
Total Expenses	$ 13,380,049	$ 1,568,656	$ 833,329	$ 15,782,034	$ 17,069,902

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, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities:		
Increase (Decrease) in Net Assets	$ -	$ -
Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and amortization	82,508	88,344
Unrealized loss (gain) on investments	(199,265)	105,440
Realized (gain) loss on investments	(24,926)	6
Increase (decrease) in unfunded pension liability	317,706	(69,308)
Bad debt - rainy day fund	(55,700)	(106,309)
Bond amortization	21,132	67,972
(Increase) Decrease in:		
Dues receivable	(152,752)	(28,256)
Accounts receivable	(386,824)	8,141
Rainy day fund overpayments receivable	95,075	(179,740)
Prepaid expenses	(45,236)	(8,127)
Increase (Decrease) in:		
Accounts payable	25,464	35,488
Accrued expenses	(71,940)	(49,125)
Accrued compensation	(49,277)	11,780
Accrued rainy day fund separation benefit	(57,800)	1,066,500
Officer release time payable	(95,762)	245,362
Deferred revenue	235,797	-
Security deposit	-	5,600
Net Cash Provided (Used) by Operating Activities	(361,800)	1,193,768
Cash Flows From Investing Activities:		
Purchases of property and equipment	(264,171)	(52,823)
Purchases of investments	(5,271,300)	-
Proceeds from sale of investments	3,914,057	1,050,000
Decrease in deposits	-	(1,500)
Net Cash Provided (Used) by Investing Activities	(1,621,414)	995,677
Cash Flows From Financing Activities:		
Change in deferred compensation liability	(73,626)	(1,976)
Net Cash Provided (Used) by Financing Activities	(73,626)	(1,976)
Net Increase in Cash, Cash Equivalents, Designated Cash, and Restricted Cash	(2,056,840)	2,187,469
Cash and Cash Equivalents, Designated Cash, and Restricted Cash at Beginning of Year	4,572,216	2,384,747
Cash and Cash Equivalents, Designated Cash, and Restricted Cash at End of Year	$ 2,515,376	$ 4,572,216

See Independent Auditor's Report and Notes

Summary of Significant Accounting Policies

This summary of significant accounting policies of New York State Correctional Officers & Police Benevolent Association, Inc. (the Association) and Affiliate (NYSCOPBA) is presented to assist in understanding the Association's combined financial statements. The combined financial statements and notes are representations of the Association's management, which is responsible for their integrity and objectivity.

Organization

The New York State Correctional Officers & Police Benevolent Association, Inc. 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 2019 and 2018. 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.

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.

Basis of Accounting

The combined financial statements are prepared on the accrual basis of accounting and, accordingly, these statements reflect all significant receivables, payables, and other liabilities. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Revenue Recognition

The Association's revenue is primarily derived from member dues that are withheld from their salaries by the New York State department employing them and electronically transmitted to the Association within a short period of time after the payroll is paid. These dues not only cover the benefits received by the members, but also cover the administrative costs of the Organization. Therefore, all general dues are recorded as revenue for the payroll period in which they were deducted from the members' payroll. Revenue is also provided by New York State for functions provided to its members on behalf of the state for the administration of employee benefits. Those amounts are a matter of contractual negotiation between the Organization and the State of New York and are only received in those years when a contract is in place. Revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled to in exchange for membership services provided.

Summary of Significant Accounting Policies – Continued

Revenue Recognition – Continued
Based upon the Association's constitution, certain member dues are considered amounts with donor restrictions as they are earmarked for specific purposes by the constitution. Those dues include the legal defense fund and the rainy day fund (see footnotes on pages 16 and 17 describing the purposes of those funds). These dues are considered donor restricted contributions because a member may receive benefits from those funds only if they quality for the purpose of the fund and are approved for the benefit by the Executive Board. Many members may never qualify for certain provisions of these funds; therefore, management does not consider the related dues received for the benefits to be exchange transactions.

The Association also receives rental income from tenants for the rent of office space in the building it owns, which is based upon lease agreements.

Financial Statement Presentation
Financial statement presentation follows FASB ASC 958-205 as amended by the implementation of FASB ASU 2016-14 in the year ended December 31, 2018. Under FASB ASC 958-205, as amended, an organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions, in addition to expanded disclosures.

The following classes of net assets are maintained:

Net Assets Without Donor Restrictions
The net assets without donor restrictions class includes assets available for use in general operations of the Association, as well as board designated assets and liabilities. The net assets without donor restrictions of the Association may be used at the discretion of management to support the Association's purposes and operations.

Net Assets With Donor Restrictions
Net assets with donor restrictions are subject to stipulations imposed by donors and grantors and include donations for a particular asset or program. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. When the contribution is used for the purpose intended or the passage of time has expired, the amount is released to net assets without donor restrictions. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

The Association receives dues from its members, restricted by its constitution, for its legal defense and rainy day funds. As such, these dues and the earnings thereon may not be used for other purposes.

Measure of Operations
The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Association's ongoing programs and interest and dividends earned on investments. Nonoperating activities are limited to resources that are not available for current activities. The portion of the change in pension funded status unrelated to service cost for its defined benefit pension plan is included in nonoperating activities.

Summary of Significant Accounting Policies – Continued

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, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates that were used.

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 statement 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, 2019 and 2018, $244,049 and $154,499, 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 the investments is based upon quoted prices for similar securities in active markets. Realized and unrealized gains and losses are included in the combined statement of activities and changes in net assets, along with interest income as “investment return, net”.

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).

Summary of Significant Accounting Policies – Continued

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 2019 and 2018 represent fees receivable for the administration of member information for member insurance policies, the contractual fee from New York State for benefits administration and 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.

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. For 2019 and 2018, it was determined that the Association expected to collect approximately 89.5% and 80% respectively, and, therefore, an allowance for doubtful accounts was established for 10.5% and 20%, respectively.

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 statement 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.

Summary of Significant Accounting Policies – Continued

Uncertain Tax Positions
In accordance with accounting principles generally accepted in the United States of America, the Association accounts for uncertainty in income taxes by recognizing tax positions in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by tax authorities. As of December 31, 2019, the Association believes that it has appropriate support for the income tax positions taken on its tax returns and, therefore, believes that it has no uncertain tax positions that would have a material impact on the financial statements. As of December 31, 2019, the tax years that remain subject to examination by taxing authorities begin with 2016.

Expense Allocation
The costs of providing various programs and other activities have been summarized on a functional basis in the combined statement of activities and changes in net assets. The combined statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs that benefit more than one function have been allocated among the programs and supporting services based on estimates of time and effort. Payroll, payroll taxes and employee benefits, and union leave have been allocated to each function based on a percentage estimate of time and effort working within each function of the Association. Certain expenses such as member benefits, sector expenses, defense attorneys, and legislative expenses are solely program services. The majority of remaining expense categories were allocated based upon estimates of usage amongst each function.

Adoption of New Accounting Pronouncements
During the year ended December 31, 2019, the Association adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2014-09, *Revenue From Contracts With Customers (Topic 606),* as amended, as well as Financial Accounting Standards Board Accounting Standards Update No. 2018-08, *Not-For-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* ASU 2014-09 and a portion of ASU 2018-08 are effective for fiscal years beginning after December 15, 2018. These standards improve the usefulness and understandability of the Association's financial reporting as it relates to revenue recognition.

Analysis of various provisions of these standards resulted in no significant changes in the way the Association recognizes revenue and, therefore, no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standards.

During the year ended December 31, 2019, the Association adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2017-07, *Compensation – Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.* The provisions of this pronouncement require that the service cost component of net periodic pension cost should be reported as a functional expense in the same manner as the service cost to which it relates. The remainder of the net periodic pension cost is to be reported outside of income from operations. ASU 2017-07 is effective for fiscal years beginning after December 15, 2018.

During the year ended December 31, 2018, the Association adopted the provisions of Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities,* which is effective for fiscal years beginning after December 15, 2017. The standard requires financial statements to be presented in such a way as to provide more useful information to donors, grantors, creditors, and other users of the financial statements.

Liquidity and Availability

The Association regularly monitors liquidity required to meet its operating needs and other contractual commitments. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the combined statements of financial position dates, comprise the following at December 31:

	2019	2018
Cash and cash equivalents	$ 4,796,103	$ 1,590,441
Designated cash	244,049	154,499
Restricted and board designated cash, current portion	541,311	100,580
Investments	6,358,772	5,375,051
Dues receivable	1,120,802	968,050
Accounts receivable	485,606	98,782
Rainy day fund overpayments receivable, net of allowance for doubtful accounts	346,565	385,940
Prepaid expenses	425,285	380,049
Total financial assets available within one year	14,318,493	9,053,392
Less: amounts unavailable for general expenditures within one year:		
Restricted by donors with purpose restrictions	(855,203)	(629,234)
Less: amounts unavailable to management without Board’s approval:		
Board designated for rainy day fund	(250,000)	-
Board designated for political action committee	(244,049)	(154,499)
Total amounts unavailable to management without Board’s approval	(494,049)	(154,499)
Total financial assets available to management for general expenditure within one year	$ 12,969,241	$ 8,269,659

In addition to financial assets available to meet general expenditures over the next 12 months, the Association operates on a formal budget and regularly monitors the collection of sufficient revenue to cover general expenditures.

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. 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, 2019 and 2018, was $2,811,047 and $2,276,661, 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 and 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, 2019 and 2018, and is as follows:

	2019	2018
Cash and cash equivalents	$ 4,796,103	$ 1,590,441
Designated cash	244,049	154,499
Restricted and board designated cash, current portion	541,311	100,580
Restricted cash, net of current portion	875,811	1,231,336
Total cash and cash equivalents, designated cash, and restricted cash	$ 6,457,274	$ 3,076,856

Investments and Restricted Investments

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

	2019	2018
Fixed income securities	$ 6,358,772	$ 5,375,051
Less: cost basis	(6,307,727)	(5,445,066)
Net unrealized gain (loss)	$ 51,045	$ (70,015)

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

	2019	2018
Fixed income securities	$ 1,826,158	$ 1,249,577
Less: cost basis	(1,777,381)	(1,279,004)
Net unrealized gain (loss)	$ 48,777	$ (29,427)

All fixed income security investments bear general stock market risk. All of the investments are level 1 significant observable inputs at both December 31, 2019 and 2018. There were no transfers between levels during either fiscal year December 31, 2019 or 2018.

Investment income earned by legal defense fund investments is considered restricted as it is intended to be used for the same purposes as the original contributions.

The following summarizes the investment return in the combined statement of activities and changes in net assets for the years ended December 31, 2019 and 2018:

Investments and Restricted Investments – Continued

	2019	2018
Interest income, without restrictions	$ 184,221	$ 220,919
Realized gain on investments, without restrictions	24,926	-
Unrealized gain (loss) on investments, without restrictions	121,061	(70,870)
Bond amortization, without restrictions	(19,509)	(66,354)
Interest income, with restrictions (legal defense fund)	46,030	39,917
Realized loss on investments, with restrictions (legal defense fund)	-	(6)
Unrealized gain (loss) on investments, with restrictions (legal defense fund)	78,204	(34,570)
Bond amortization, with restrictions (legal defense fund)	(1,623)	(1,618)
Total investment return, net	$ 433,310	$ 87,418

Property and Equipment

Property and equipment is as follows as of December 31:

	2019	2018
Building	$ 1,131,532	$ 1,131,532
Land	124,000	124,000
Building improvements	1,188,685	944,308
Vehicles	45,009	45,009
Furniture, fixtures, and equipment	889,984	898,970
Total property and equipment	3,379,210	3,143,819
Less: accumulated depreciation	(1,524,653)	(1,470,925)
Property and equipment, net	$ 1,854,557	$ 1,672,894

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 was $82,508 and $88,344, respectively.

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. In the past, any portion of one year equated to one year of service. During 2019, the policy was amended to prorate the year's accrual for any year in which the employees and officers did not work a full year. The policy allows individuals to take a portion of the deferred compensation prior to retirement. The Board voted in 2017 to suspend accruals for that year, and then voted in 2018 to reinstate the accruals for 2018 onwards. A summary of amounts owed and paid during 2019 and 2018 follows:

Deferred Compensation Liability – Continued

	2019	2018
Opening balance, January 1,	$ 268,474	$ 270,450
Additional compensation	96,534	84,808
Adjustments to prior year accruals	-	(19,732)
Payments	(170,160)	(67,052)
Ending balance, December 31,	$ 194,848	$ 268,474

Net Assets With Donor Restrictions

Net assets with donor restrictions represent assets available for legal defense and rainy day fund payments.

Legal Defense Fund
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 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 maximum benefit per occurrence is $25,000.

Rainy Day Fund
The rainy day fund was established on March 1, 2016. Dues are collected in the amount of $2 per member per pay period. 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. When the program was established, there was a provision whereby members who had not used the rainy day fund during their membership with NYSCOPBA were able to 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 separation payment only if they reimburse the fund for all amounts previously received. No accrual for the separation benefit was included in the financial statements for 2017 because the earliest that the benefit could have been paid was March of 2018. Effective November 20, 2018, the separation payment was frozen to the amount contributed under the original policy. No accrual will be made after November 20, 2018. Additional amendments include a reduction of the benefit payable from $1,500 maximum per pay period to $1,300 maximum per pay period and the requirement that all leave accruals from New York State must be used before the member is eligible for benefits. As a means to fund the rainy day fund in advance, the board designated $250,000 of general funds to be used by the fund until it becomes self-sustaining. The $250,000 was used as of December 31, 2018. During 2019, based upon revised policies related to the collection of overpayment of rainy day fund benefits and the reduced benefit level, the fund had sufficient net income to reinstate the entire board designated fund balance.

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 $875,811 and $1,231,336 at December 31, 2019 and 2018, respectively. The legal defense fund also had investments in the amount of $1,826,158 and $1,249,577 at December 31, 2019 and 2018, respectively.

Net Assets With Donor Restrictions – Continued

Rainy Day Fund – Continued

The rainy day fund cash was $541,311 and $100,580 at December 31, 2019 and 2018, respectively. The rainy day fund also had receivables in the amount of $92,103 and $24,393, at December 31, 2019 and 2018, 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 $387,365 and $482,440, with an associated allowance account in the amount of $40,800 and $96,500, for the years ended December 31, 2019 and 2018, respectively.

At December 31, 2018, the rainy day fund accrued a separation benefit in the amount of $50 each for approximately 21,300 members. The separation benefit is only accrued for one year. As noted above, the Board has suspended further accruals. The total accrual at December 31, 2019 and 2018 was $1,008,700 and $1,066,500, respectively. Separation benefits paid totaled $57,800 and $5,700 for the years ended December 31, 2019 and 2018, respectively. During 2019, the Executive Assembly voted to increase the rainy day fund dues starting in 2020 to cover the cost of future separation benefit accruals.

Total net assets with donor restrictions at December 31, 2019 and 2018, are as follows:

	2019	2018
Legal defense fund	$ 2,915,241	$ 2,567,440
Rainy day fund	132,462	(415,872)
Total net assets with donor restrictions	$ 3,047,703	$ 2,151,568

The negative balance in the net assets with donor restrictions for the rainy day fund at December 31, 2018, represents the amount that long-term liabilities exceeded assets of the fund. This occurred as a result of the accrual of the separation benefit for current members, which number in excess of 21,000. It is expected that the total benefit will not be paid out for a significant number of years.

Net Assets Released From Restrictions

	2019	2018
Legal defense fund legal fees incurred	$ 324,942	$ 257,176
Rainy day fund benefits incurred (paid and accrued)	438,490	2,302,929
Reinstitution (use) of board designated funds for rainy day fund	250,000	(250,000)
Total net assets released from restrictions	$ 1,013,432	$ 2,310,105

Fundraising Income and Expenses

There were no fundraising events in 2019 or 2018.

Operating Leases

The Association leases satellite office space and equipment under non-cancelable leases through July of 2023. Total rent expense amounted to $107,009 and $102,649 for the years ended December 31, 2019 and 2018, respectively. Total rent expense includes maintenance contract fees of $8,999 and $12,774 for the years ended December 31, 2019 and 2018, respectively. Obligations under all operating leases are as follows:

Years ending December 31,		
2020	$	67,212
2021		48,806
2022		23,002
2023		1,513
Total	$	140,533

In addition, the Association leases temporary residences for two officers whose actual residences are too far to travel on a regular basis. One officer occupied an apartment with a monthly rent amount of $1,866 through April, 2018, with an increase in monthly rent to $1,895 through March, 2019. The lease was renewed through March 31, 2020 at a monthly rent of $1,945. The other officer rented an apartment on a month to month basis for $950 per month through October, 2018, and then on October 1, 2018, signed a formal lease for a new apartment with a monthly rent amount of $1,500 through September, 2019, which continues through September, 2020. Total rent expense for the residences was $41,190 and $32,825 for the years ended December 31, 2019 and 2018, respectively. The obligation under these leases is $19,335 for the year ended December 31, 2020

Pension Plans

The Association maintained a non-contributory, defined benefit pension plan covering employees hired subsequent to July 1, 2000. The plan was amended in 2019 to require a 3% employee contribution for participants hired after January 1, 2019. 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, 2019, and census information as of July 1, 2019, projected to December 31, 2019:

Pension Plans – Continued

	2019	2018
Change in Benefit Obligation:		
Benefit obligation at beginning of period	$ 1,887,632	$ 1,869,871
Service cost	144,939	172,330
Interest cost	70,932	61,237
Actuarial (gain)/loss	471,487	(214,440)
Benefits paid	(111,755)	(1,366)
Assumption change	-	-
Benefit obligation at end of period	$ 2,463,235	$ 1,887,632
Fair value of plan assets at beginning of period	$ 1,056,581	$ 969,512
Actual return on plan assets	199,602	(56,169)
Employer contributions paid and payable	170,050	144,604
Benefits paid	(111,755)	(1,366)
Fair value of plan assets at end of period	$ 1,314,478	$ 1,056,581
Funded status	$ (1,148,757)	$ (831,051)
Accumulated unrecognized net actuarial loss	697,460	381,511
Accrued benefit cost	$ (451,297)	$ (449,540)

	2019	2018
Components of Net Periodic Benefit Cost:		
Service cost	$ 144,939	$ 172,330
Interest cost	70,932	61,237
Expected return on plan assets	(58,845)	(54,210)
Amortization of actuarial loss	14,781	27,368
Net periodic benefit cost	$ 171,807	$ 206,725

The accumulated benefit obligation at December 31, 2019 and 2018 was $2,030,429 and $1,511,045, respectively.

At December 31, 2019 and 2018, the underfunded pension liability is included on the combined statements of financial position as an unfunded pension liability in the amount of $1,148,757 and $831,051, respectively. This amount is the net of the projected benefit obligation less plan assets at fair value. The change in accumulated unrecognized net actuarial loss is recorded in the combined statement of activities and changes in net assets as the change in pension funded status. At December 31, 2019 and 2018, the accumulated unrecognized loss includes the following:

	2019	2018
Net actuarial loss	$ 697,460	$ 381,511
Prior service cost	-	-
Transition obligation	-	-
Total unrecognized loss	$ 697,460	$ 381,511

Pension Plans – Continued

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:

	2019	2018
Benefit Obligations:		
Discount rate	3.00%	4.00%
Rate of compensation increase	3.00%	3.00%
Net Periodic Benefit Cost:		
Discount rate	4.00%	3.50%
Rate of compensation increase	3.00%	3.00%
Expected return of assets	6.00%	6.00%

Plan Assets
The Association's plan assets totaling $1,314,478 and $1,056,581 for the years ended December 31, 2019 and 2018, respectively, are invested primarily in cash, money market accounts and bond and equity mutual funds.

Contributions
The Association contributed $170,050 and $144,604 for the fiscal years ended December 31, 2019 and 2018, respectively. Expected contributions for the next fiscal year for the years ended December 31, 2019 and 2018 are $177,100 and $99,000, respectively.

Estimated 2020 Net Periodic Benefit Cost/Income
The estimated 2020 net periodic benefit cost/income is as follows:

Service cost	$ 213,381
Interest cost	65,575
Expected return on plan assets	(66,059)
Amortization of net loss	39,924
2020 Net periodic benefit cost	$ 252,821

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

Years ending December 31,	
2020	$ 555,000
2021	-
2022	374,000
2023	-
2024	331,000
2025-2029	1,289,000

Pension Plans – Continued

Defined Contribution Plan
During 2017, the Association initiated a 401(k) pension plan to cover both employees and officers. As of December 31, 2019 and 2018, there were five and two members in the plan, respectively. There is no required employer match for the 401(k) pension plan.

Public Relations

Public relations expenses include advertising expenses and are recorded as incurred. Public relations expense for the years ended December 31, 2019 and 2018 was $1,669,973 and $1,770,497, respectively.

Political Action Committee

Summarized financial data of the Political Action Committee as of and for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Assets and board designated net assets	$ 244,049	$ 154,499
Revenues	300,000	300,000
Expenses	(210,450)	(278,675)

Tenant Leases

The Association leases vacant office space in its facility located at Hackett Boulevard in Albany, New York to two other organizations. One lease term began May 1, 2017, and is for five years expiring April 30, 2022, with a fixed monthly rent in the amount of $4,568, and an optional extension through April 30, 2023, with a fixed monthly rent in the amount of $5,150.

The other lease term began December 1, 2018, and is for two years and one month expiring December 31, 2020, with a fixed monthly rent in the amount of $2,800. Total rental income amounted to $88,416 and $57,616 for the years ended December 31, 2019 and 2018, respectively.

Future minimum rent income is as follows:

Years ending December 31,	
2020	$ 88,416
2021	54,816
2022	18,272
Total	$ 161,504

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:

Tenant Leases – Continued

	2019	2018
Cost	$ 2,444,217	$ 2,199,840
Less: accumulated depreciation	(639,375)	(584,423)
Net book value	$ 1,804,842	$ 1,615,417

Contingencies

The Association was named in various lawsuits involving the family of an inmate, as well as employees, former employees or civilian employees at various facilities. The case against NYSCOPBA was dismissed in one of the actions. The remaining cases have yet to be decided and it is not possible to determine the outcome at this time.

Subsequent Events

The Association has evaluated all events through May 6, 2020, the date which these combined financial statements were available to be issued, and determined that the following subsequent event requires disclosure:

In recent weeks, the coronavirus (COVID-19) outbreak has affected global markets and global and domestic businesses and not-for-profit organizations, including the Association. At this time, investment income is expected to be negatively impacted. Due to the rapidly evolving situation and collective response to the outbreak, management is unable to determine the financial impact on the Association at this time.