



New York State Correctional Officers & Police Benevolent Association, Inc.

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(518) 427-1551 www.nyscopba.org nyscopba@nyscopba.org



September 12, 2012

RE: NYSCOPBA Agency Shop Fee Refund Procedure

Dear Agency Shop Fee Payer:

Our records reflect that you are employed by the State of New York as a member of the Security Services Unit. The Security Services Unit is represented by the New York State Correctional Officers & Police Benevolent Association, Inc. (NYSCOPBA) for the purpose of collective bargaining. Our records also reflect that you have exercised your right not to join NYSCOPBA.

Civil Service Law §208(3)(a) requires that you pay an agency fee to NYSCOPBA, equivalent to NYSCOPBA dues. It also gives you the right to request a refund of your pro rata share of NYSCOPBA's expenses in aid of activities of a political or ideological nature only incidentally related to terms and conditions of employment. To obtain a refund, you must notify the Union of your dissent from such expenditures.

I have enclosed a copy of NYSCOPBA's current Agency Shop Fee Refund Procedure. Please note that if you wish to request a refund for NYSCOPBA's 2012 fiscal year (1/1/12 – 12/31/12), you must do so during the period of October 1 – October 31, 2012. Requests may be made as set forth in paragraph 1 of the procedure.

In order for you to make an informed decision about whether to dissent, I have also included a copy of NYSCOPBA's 2011 annual audit, as well as NYSCOPBA's independently audited statement of chargeable and non-chargeable expenses for 2011.

NYSCOPBA respects your right not to join the Union, but we do hope you will, at some point, consider joining NYSCOPBA. Only through an active and involved membership can we deliver the representation and services you deserve.

Very Truly Yours,

John Telisky
Treasurer

Enc.

AGENCY SHOP NOTICE

AGENCY FEE REFUND PROCEDURE

- 1. Notification of Dissent:** Any person paying an agency fee to NYSCOPBA may annually notify the Union of his/her dissent from the expenditure of any portion of fees paid by NYSCOPBA in aid of activities or causes of a political or ideological nature only incidentally related to terms and conditions of employment. Notification shall be made by individual letter sent to NYSCOPBA's Treasurer by regular, registered or certified mail during the period between October 1 – October 31 of the year preceding the fiscal year of the Union (January 1 – December 31) to which the notification applies. A person who is newly employed or re-employed at any time during the fiscal year to which his/her notification applies must send his/her notification, in the manner described above, within thirty (30) calendar days of receipt of his/her first payroll check from which agency fee deductions are made.
- 2. Estimated Refund:** Each person who notifies the Union as provided in paragraph 1 shall, pending NYSCOPBA's final refund determination, receive an estimated refund at the beginning of the fiscal year to which the notification applies. This estimated refund shall represent the dissenter's approximate **pro rata** share of expenditures by NYSCOPBA in aid of causes of a political or ideological nature only incidentally related to terms and conditions of employment.
- 3. Refund:** The approximate proportion of agency fees actually spent by NYSCOPBA during the fiscal year in aid of causes of a political or ideological nature only incidentally related to terms and conditions of employment shall be determined annually, after the close of each fiscal year of NYSCOPBA. This determination shall be promptly communicated, in writing, to each dissenter. If this determination is for an amount greater than the estimated refund, the difference, with interest at the statutory rate, shall promptly be transmitted to each dissenter.
- 4. Objections/ Neutral Hearing:** If a dissenter is dissatisfied with NYSCOPBA's refund determination, an objection may be made within thirty (30) days of receipt of the refund. Objections shall be made to NYSCOPBA's Treasurer by regular, registered or certified mail. All objections will be expeditiously submitted by NYSCOPBA, for hearing and resolution, to a neutral party appointed by the American Arbitration Association from its panel of arbitrators. NYSCOPBA, at its option, may consolidate all objections and have them resolved at one hearing. An objector may present his/her objection to the neutral in person. The cost of this hearing shall be borne by NYSCOPBA.
- 5. Escrow:** The balance of a dissenter's agency fee payments during the fiscal year in question shall be held in an interest-bearing segregated account until NYSCOPBA's refund determination is made and any objection by the dissenter is finally determined under the procedure set forth in paragraph four.

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

Schedule of Expenses and Allocation Between
Chargeable and Non-Chargeable Expenses
and Report of Independent Accountants

January 1, 2011 through December 31, 2011



Whittemore, Downen & Ricciardelli, LLP
333 Aviation Road - Building B
Queensbury, NY 12804

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

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INDEPENDENT AUDITORS' REPORT

To The Officers and Directors
New York State Correctional
Officers & Police Benevolent
Association, Inc.

We have audited the accompanying schedule of expenses and allocation between chargeable and non-chargeable expenses of New York State Correctional Officers & Police Benevolent Association, Inc. (the Association) for the year ended December 31, 2011, for the purpose of calculating agency shop fee refunds for the year ended December 31, 2011. This schedule is the responsibility of the Association's management. Our responsibility is to express an opinion on this schedule 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 schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

Under law, individuals are entitled to a refund of the pro rata share of agency shop fees spent by the Association in aid of causes of a political and ideological nature only incidentally related to the terms and conditions of employment. We have been informed by management that the Association bases the determination of non-chargeable expenses for the calculation of its refunds on the definitions in the notes and the significant factors and management assumptions described in the notes, and these factors and assumptions are based on management's interpretations of legal precedent.

In our opinion, the schedule referred to above presents fairly, in all material respects, the expenses and allocation between chargeable and non-chargeable expenses of the New York State Correctional Officers & Police Benevolent Association, Inc. for the year ended December 31, 2011, for the purpose of calculating agency shop fee refunds for the year ended December 31, 2011 based on the definitions and significant factors and management assumptions referred to above.

This report is intended to be used in connection with the calculation of agency shop fee refunds by the Association and should be limited in use to those who are knowledgeable of the Association's agency shop fee refund policies and procedures and should not be used by any other parties.

Whittemore, Downen & Ricciardelli, LLP

Whittemore, Downen & Ricciardelli, LLP

March 19, 2012

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

Schedule of Expenses and Allocation Between
Chargeable and Non-Chargeable Expenses

January 1, 2011 Through December 31, 2011

	Total Expenses	Non- Chargeable Expenses	Chargeable Expenses
Sector funding	\$ 1,260,066	\$ -	\$ 1,260,066
Salaries and employee benefits	3,828,414	111,258	3,717,156
Travel and meetings	1,034,106	12,797	1,021,309
Legal and professional	2,763,406	120,000	2,643,406
Arbitration	135,275	-	135,275
Publications and promotional	1,089,709	200,455	889,254
Telephone	74,946	2,178	72,768
Postage	82,587	2,400	80,187
Office operations	239,335	6,956	232,379
Insurance	39,883	-	39,883
Occupancy and building	265,926	7,728	258,198
PAC/political activities	386,343	386,343	-
Member benefits	951,856	-	951,856
	<u>\$ 12,151,852</u>	<u>\$ 850,115</u>	<u>\$ 11,301,737</u>
Total Chargeable and Non- Chargeable Expenses	<u>\$ 12,151,852</u>	<u>\$ 850,115</u>	<u>\$ 11,301,737</u>
Allocation Percentage	<u>100.00%</u>	<u>7.00%</u>	<u>93.00%</u>
Non-allocable expenditures under Article 25.9 of the Agreement between New York State and NYSCOPBA	<u>\$ -</u>		
Total Expenses	<u>\$ 12,151,852</u>		

See Independent Auditors' Report and Notes

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

Notes to Schedule of Expenses and
Allocation Between Chargeable and
Non-Chargeable Expenses

January 1, 2011 Through December 31, 2011

Organization

The New York State Correctional Officers & Police Benevolent Association, Inc. (the "Association") was established on May 24, 1999 as a not-for-profit organization to further the interest 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 adheres to accounting principles generally accepted in the United States of America as described in the Industry Audit Guide, "Audits of Not-for-Profit Organizations," of the American Institute of Certified Public Accountants.

Individuals who have chosen not to become a member of the Association are entitled to a refund of the pro rata share of agency shop fees spent by the Association in aid of causes of a political and ideological nature only incidentally related to the terms and conditions of employment. The Association bases the determination of non-chargeable expenses for the calculation of its refunds on the definitions in the notes and the significant factors and management assumptions described in the notes.

Definitions

- (a) Chargeable Expenses
Chargeable expenses are those incurred by the Association that reflect the share of the costs of operations of the Association which are considered necessarily and reasonably incurred for the purpose of assisting the Association and local and regional divisions in the performance of their duties as representatives of the employees in dealing with the employer on labor management issues. Those costs include the costs of negotiating and administering the collective bargaining contract; settling grievances and disputes by mutual agreement, or in arbitration, court or otherwise; activities and undertakings normally and reasonably employed to complement the duties of the local sector as representative of the employees in the bargaining unit; pursuing matters affecting the wages, hours or working conditions of employees represented by the Association before governmental or other administrative bodies; communicating with employees or the general public on matters of concern to employees represented by the Association; and the operations of the Association's local sectors. The following are examples of expenditures classified as chargeable: preparation for and negotiations of collective bargaining agreements; contract administration including investigation and processing grievances; meetings, conferences, administrative, arbitral and court proceedings and pertinent investigation and research in connection with work-related subjects and issues; handling work-related problems of employees; communications with community organizations, civic groups, and government agencies representing the Association's position on work-related matters; lobbying and legislative activities with respect to the ratification or negotiation of collective bargaining agreements; maintaining membership and recruitment of members; employee group programs; and providing legal, economic and technical expertise on behalf of employees in all work-related matters.

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

Notes to Schedule of Expenses and
Allocation Between Chargeable and
Non-Chargeable Expenses

January 1, 2011 Through December 31, 2011

Definitions – Continued

(b) Non-Chargeable Expenses

Non-chargeable expenses are those of a political or ideological nature unrelated to collective bargaining and the work-related interests of employees. The term "political" is defined as support of, or opposition to, political parties or candidates for political office of any level of government. The term "ideological" is defined as support for or against certain positions that the Association may take which are not work-related, as well as improvement of the Association's image in the community that does not benefit members directly.

Significant Factors and Management Assumptions Used in the Allocation of Expenses Between Chargeable and Non-Chargeable Expenses

Significant factors and management assumptions underlying the allocation of such expenses between chargeable and non-chargeable amounts are summarized as follows:

- (a) Political Action Committee expenses are considered to be 100% non-chargeable.
- (b) Non-chargeable salaries and employee benefit expenses represent salaries and benefits paid for time spent on legislative and lobbying activities by one full-time and three part-time employees. Non-chargeable salaries and benefits approximate 2.91% of total salaries and benefits. The Association applies this percentage to allocate certain other operating expenses with the exception of expenses directly identified as described in the notes between chargeable and non-chargeable.

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

Independent Auditors' Report

Financial Statements

Years Ended December 31, 2011 and 2010



Whittemore, Downen & Ricciardelli, LLP
333 Aviation Road - Building B
Queensbury, NY 12804

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

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INDEPENDENT AUDITORS' REPORT

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

We have audited the combined statements of financial position of the New York State Correctional Officers & Police Benevolent Association, Inc. (the "Association") and Affiliate as of December 31, 2011 and 2010, and the related combined statements of activities and changes in net assets and cash flows, for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying combined financial statements referred to above present fairly, in all material respects, the financial position of the New York State Correctional Officers & Police Benevolent Association, Inc. and Affiliate at December 31, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Whittemore, Downen & Ricciardelli, LLP

Whittemore, Downen & Ricciardelli, LLP

March 19, 2012

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

Combined Statements of Financial Position

December 31, 2011 and 2010

ASSETS	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash and cash equivalents	\$ 3,164,897	\$ 2,672,765
Designated cash	372,951	350,407
Investments	7,043,253	7,616,272
Dues receivable	533,011	693,330
Accounts receivable	137,836	168,985
Inventory	24,210	18,919
Prepaid expenses	<u>63,080</u>	<u>119,814</u>
Total Current Assets	11,339,238	11,640,492
Property and equipment, net	1,464,037	1,532,239
Other Assets:		
Deposits	<u>7,144</u>	<u>9,989</u>
Total Assets	<u>\$ 12,810,419</u>	<u>\$ 13,182,720</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 36,930	\$ 67,232
Accrued expenses	374,320	338,282
Accrued compensation	38,927	37,102
Officer release time payable	<u>772,310</u>	<u>825,256</u>
Total Current Liabilities	1,222,487	1,267,872
Long-Term Liabilities:		
Unfunded pension liability	<u>255,678</u>	<u>218,031</u>
Total Liabilities	<u>1,478,165</u>	<u>1,485,903</u>
Net Assets:		
Unrestricted net assets	<u>11,332,254</u>	<u>11,696,817</u>
Total Net Assets	<u>11,332,254</u>	<u>11,696,817</u>
Total Liabilities and Net Assets	<u>\$ 12,810,419</u>	<u>\$ 13,182,720</u>

See Independent Auditors' Report and Notes

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

Combined Statements of Activities and Changes in Net Assets

Years Ended December 31, 2011 and 2010

REVENUE	<u>2011</u>	<u>2010</u>
Membership and agency shop dues	\$ 11,580,024	\$ 12,402,054
Interest income	463,955	368,693
Realized gain (loss) on investments	(563,075)	48,473
Unrealized gain (loss) on investments	70,948	(340,497)
Rental income	170,951	141,972
Miscellaneous income	102,410	232,836
	<u>11,825,213</u>	<u>12,853,531</u>
EXPENSES		
Membership development	11,284,605	11,453,360
Membership insurance	480,904	493,611
Political Action Committee	386,343	836,156
	<u>12,151,852</u>	<u>12,783,127</u>
Increase (Decrease) in Net Assets From Operations	(326,639)	70,404
Change in pension funded status	<u>(37,924)</u>	<u>18,146</u>
Increase (Decrease) in Net Assets	(364,563)	88,550
Net Assets at Beginning of Year	<u>11,696,817</u>	<u>11,608,267</u>
Net Assets at End of Year	<u>\$ 11,332,254</u>	<u>\$ 11,696,817</u>

See Independent Auditors' Report and Notes

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

Combined Statements of Cash Flows

Years Ended December 31, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities:		
Increase (Decrease) in Net Assets	\$ (364,563)	\$ 88,550
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and amortization	98,688	122,911
Loss on abandoned equipment	-	684
Unrealized (gain) loss on investments	(70,948)	340,497
Realized (gain) loss on investments	563,075	(48,473)
Increase (decrease) in unfunded pension liability	37,647	(994)
(Increase) Decrease in:		
Dues receivable	160,319	(198,439)
Inventory	(5,291)	(18,919)
Prepaid expenses and other current assets	87,883	971,976
Increase (Decrease) in:		
Accounts payable	(30,302)	(42,427)
Accrued expenses	36,038	62,952
Accrued compensation	1,825	3,760
Officer release time payable	(52,946)	(1,482,072)
Net Cash Provided (Used) by Operating Activities	461,425	(199,994)
Cash Flows From Investing Activities:		
Purchases of property and equipment	(30,486)	(45,460)
Purchases of investments	(13,001,612)	(7,956,769)
Proceeds from sale of investments	13,082,504	7,050,000
(Increase) decrease in deposits	2,845	(900)
Net Cash Provided (Used) by Investing Activities	53,251	(953,129)
Net Increase (Decrease) in Cash and Cash Equivalents	514,676	(1,153,123)
Cash and Cash Equivalents at Beginning of Year	3,023,172	4,176,295
Cash and Cash Equivalents at End of Year	\$ 3,537,848	\$ 3,023,172

See Independent Auditors' Report and Notes

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

Notes to Financial Statements

December 31, 2011 and 2010

Organization

The New York State Correctional Officers & Police Benevolent Association, Inc. (the "Association") was established on May 24, 1999 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 81 sector chapters throughout New York State during 2010. In 2011, the number of sector chapters was reduced to 79. 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 Organizations, issued by the American Institute of Certified Public Accountants.

Use of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from those estimates.

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, 2011 and 2010

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 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, 2011 and 2010, \$372,951 and \$350,407, respectively was designated for the Political Action Committee.

Dues and Accounts Receivable

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

Accounts receivable at 2011 and 2010 represent fees receivable for the administration of member information for member insurance policies. 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.

Property and Equipment

Property and equipment is stated at cost. It is the Organization'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, generally between 3-30 years, using the straight-line method. All use a mid-year convention for the first year placed in service.

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.

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, 2011, the tax years that remain subject to examination by taxing authorities begin with 2008.

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

Notes to Financial Statements

December 31, 2011 and 2010

Concentrations of Credit Risk

Financial instruments which potentially expose the Association to concentrations of credit risk, consist primarily of cash balances in financial institutions in excess of federally insured limits. At December 31, 2011 and 2010, no cash was at risk.

Investments

Investments, stated at fair market value, are summarized as follows:

	<u>2011</u>	<u>2010</u>
Bonds	\$ 7,043,253	\$ 7,616,272
Less: cost basis	<u>(7,312,802)</u>	<u>(7,956,769)</u>
Net unrealized loss	<u>\$ (269,549)</u>	<u>\$ (340,497)</u>

The bond investments bear general stock market risk.

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, 2011 and 2010.

	<u>2011</u>	<u>2010</u>
Interest income	\$ 463,955	\$ 368,693
Realized gain (loss) on investments	(563,075)	48,473
Unrealized gain (loss) on investments	70,948	(340,497)

Property and Equipment

Property and equipment is as follows as of December 31:

	<u>2011</u>	<u>2010</u>
Building	\$ 1,131,532	\$ 1,131,532
Land	124,000	124,000
Building improvements	403,335	401,629
Furniture, fixtures and equipment	<u>949,009</u>	<u>938,792</u>
Total property and equipment	2,607,876	2,595,953
Less: accumulated depreciation	<u>(1,143,839)</u>	<u>(1,063,714)</u>
Net property and equipment	<u>\$ 1,464,037</u>	<u>\$ 1,532,239</u>

Depreciation and amortization expense for the years ended December 31, 2011 and 2010 was \$98,688 and \$122,911, respectively.

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

Notes to Financial Statements

December 31, 2011 and 2010

Operating Leases

The Association leases satellite office space and equipment under non-cancelable leases expiring through April 2015. Total rent expense amounted to \$106,064 and \$109,019 for the years ended December 31, 2011 and 2010, respectively. Obligations under all operating leases are as follows:

Years ending December 31,		
2012	\$	73,844
2013		73,844
2014		60,602
2015		7,704
		<hr/>
Total	\$	215,994
		<hr/>

In addition, the Association leases temporary residences for two officers whose actual residences are too far to travel on a regular basis, which expire in July and August of 2012. Total monthly rent is \$1,935 and total rent expenses for these residences was \$26,390 and \$30,325 for the years ended December 31, 2011 and 2010, respectively. Total minimum lease payments for 2012 are \$14,580.

Pension Plan

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, 2011 and census information as of July 1, 2011 projected to December 31, 2011:

	2011	2010
	<hr/>	<hr/>
Change in Benefit Obligation:		
Benefit obligation at beginning of period	\$ 865,525	\$ 698,867
Service cost	68,601	102,625
Interest cost	48,206	41,482
Actuarial (gain)/loss	(27,155)	22,551
	<hr/>	<hr/>
Benefit obligation at end of period	\$ 955,177	\$ 865,525
	<hr/>	<hr/>
Change in Plan Assets:		
Fair value of plan assets at beginning of period	\$ 647,494	\$ 479,842
Actual return on plan assets	(21,963)	69,797
Employer contributions	73,968	97,855
	<hr/>	<hr/>
Fair value of plan assets at end of period	\$ 699,499	\$ 647,494
	<hr/>	<hr/>
Funded status	\$ (255,678)	\$ (218,031)
Accumulated unrecognized net actuarial loss	107,271	69,347
	<hr/>	<hr/>
(Accrued) prepaid benefit cost	\$ (148,407)	\$ (148,684)
	<hr/>	<hr/>

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

Notes to Financial Statements

December 31, 2011 and 2010

Pension Plan – Continued

	2011	2010
Components of Net Periodic Benefit Cost:		
Service cost	\$ 68,601	\$ 102,625
Interest cost	48,206	41,482
Expected return on plan assets	(43,116)	(32,084)
Amortization of actuarial (gain) loss	-	2,984
Net periodic benefit cost	\$ 73,691	\$ 115,007

The accumulated benefit obligation at December 31, 2011 and 2010 was \$893,826 and \$792,998, respectively.

At December 31, 2011 and 2010, the underfunded pension liability is included on the statement of financial position as an unfunded pension liability in the amount of \$255,678 and \$218,031, respectively. This amount is the net of the projected benefit obligation less plan assets at fair value. The accumulated unrecognized net actuarial loss is recorded in the statement of activities as the change in pension funded status.

At December 31, 2011 and 2010, the accumulated unrecognized loss includes the following:

	2011	2010
Net actuarial loss	\$ 107,271	\$ 69,437
Prior service cost	-	-
Transition obligation	-	-
Total unrecognized loss	\$ 107,271	\$ 69,437

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:

	2011	2010
Benefit Obligations:		
Discount rate	5.75%	5.75%
Rate of compensation increase	3.00%	3.00%
Net Periodic Benefit Cost:		
Discount rate	5.75%	5.75%
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 expects to contribute approximately \$59,387 to the pension plan in 2012.

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Notes to Financial Statements

December 31, 2011 and 2010

Pension Plan – Continued

Cash Flows

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

Years ending December 31,		
2012	\$	45,071
2013		45,071
2014		45,071
2015		45,071
2016		45,071
2017-2021		286,520

Natural Expenses

The following expenses for the years ended December 31, 2011 and 2010 are presented below according to their natural expense classification:

	2011	2010
Expenses:		
Payroll	\$ 985,829	\$ 949,195
Payroll taxes and employee benefits	271,025	314,134
Union fees	2,571,560	2,724,703
Legal fees:		
Lobbying	120,000	120,000
Legal representation	2,333,980	2,328,980
Other	245,864	240,500
Consulting and other professional fees	63,562	79,563
Arbitration	135,275	60,019
Member benefits	951,856	996,277
Training/regional meetings	28,160	250
Sector expenses:		
Operations	619,120	601,982
Special projects	640,947	611,542
Occupancy and utilities	265,741	259,264
Office supplies and expenses	78,854	124,754
Printing	83,194	87,400
Postage	82,587	66,488
PAC expenses	277,455	649,745
Legislative expenses	108,888	186,411
Telephone	74,946	85,315
Insurance	39,883	44,287
Equipment rental	57,243	62,584

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Notes to Financial Statements

December 31, 2011 and 2010

Natural Expenses – Continued

	<u>2011</u>	<u>2010</u>
Public relations	1,006,514	1,065,298
Depreciation and amortization	98,688	122,911
Repairs and maintenance	184	540
Travel and meetings	1,005,946	994,702
Miscellaneous	<u>4,551</u>	<u>6,283</u>
Total Expenses	<u>\$ 12,151,852</u>	<u>\$ 12,783,127</u>

Public Relations

Public relations expenses include advertising expenses and are recorded as incurred. Public relations expense for the years ended December 31, 2011 and 2010 was \$1,006,514 and \$1,065,298, respectively.

Political Action Committee

Summarized financial data of the Political Action Committee as of and for the years ended December 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Assets	\$ 372,951	\$ 350,407
Revenues	308,000	440,445
Expenses	277,455	649,745

Tenant Leases

The Association has one lease for office space under a non-cancelable lease expiring through December 31, 2014. Total rental income amounted to \$170,951 and \$141,972 for the years ended December 31, 2011 and 2010, respectively. Future minimum income from these leases is as follows:

Years ending December 31,	
2012	\$ 183,752
2013	192,600
2014	<u>198,096</u>
Total	<u>\$ 574,448</u>

NEW YORK STATE CORRECTIONAL
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Notes to Financial Statements

December 31, 2011 and 2010

Tenant Leases – Continued

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

	<u>2011</u>	<u>2010</u>
Cost	\$ 1,658,867	\$ 1,657,161
Less: accumulated depreciation	<u>(269,446)</u>	<u>(230,277)</u>
Net book value	<u>\$ 1,389,421</u>	<u>\$ 1,426,884</u>

Contingencies

In the normal course of business the Company has been named as a defendant in one course of legal action. However, management, after consultation with counsel, intends to vigorously defend their position and is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on the Association's financial position or results of operations.

Subsequent Events

The organization has evaluated all events through March 19, 2012, the date which these financial statements were available to be issued, and determined that there were no subsequent events which require disclosure.