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

Independent Auditor's Report

Financial Statements

December 31, 2018
(With Comparative Totals for 2017)

WDR
CPAs & Business Advisors
WHITTEMORE, DOWEN
& RICCIARDELLI, LLP

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

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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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 8, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, 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

June 24, 2019

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

Combined Statements of Financial Position

December 31, 2018 and 2017

ASSETS	2018	2017
Current Assets:		
Cash and cash equivalents	$ 1,590,441	$ 1,545,817
Designated cash	154,499	133,174
Restricted cash, current portion	100,580	3,733
Investments	5,375,051	6,362,275
Dues receivable	968,050	939,794
Accounts receivable	98,782	106,923
Rainy day fund overpayments receivable, net of allowance for doubtful accounts of $96,500 and $202,809, respectively	385,940	99,891
Prepaid expenses	380,049	371,922
Total Current Assets	9,053,392	9,563,529
Property and equipment, net	1,672,894	1,708,415
Other Assets:		
Deposits	9,125	7,625
Restricted cash, net of current portion	1,231,336	702,023
Restricted investments	1,249,577	1,485,771
Total Other Assets	2,490,038	2,195,419
Total Assets	$ 13,216,324	$ 13,467,363

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, 2018 and 2017

LIABILITIES AND NET ASSETS	2018	2017
Current Liabilities:		
Accounts payable	$ 458,807	$ 423,319
Accrued expenses	268,911	318,036
Accrued compensation	95,865	84,085
Officer release time payable	1,155,427	910,065
Total Current Liabilities	1,979,010	1,735,505
Long-Term Liabilities:		
Accrued rainy day fund separation benefit	1,066,500	-
Unfunded pension liability	831,051	900,359
Deferred compensation liability	268,474	270,450
Security deposit	5,600	-
Total Long-Term Liabilities	2,171,625	1,170,809
Total Liabilities	4,150,635	2,906,314
Net Assets:		
Without Donor Restrictions:		
Designated by Executive Board for:		
Rainy day fund	-	250,000
Political action committee	154,499	133,174
Undesignated	6,759,622	7,867,051
Total Net Assets Without Donor Restrictions	6,914,121	8,250,225
With Donor Restrictions:		
Legal defense fund	2,567,440	2,269,996
Rainy day fund	(415,872)	40,828
Total Net Assets With Donor Restrictions	2,151,568	2,310,824
Total Net Assets	9,065,689	10,561,049
Total Liabilities and Net Assets	$ 13,216,324	$ 13,467,363

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, 2018
(With Comparative Totals for 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Totals	2017 Totals
Operating:				
Revenue:				
Dues:				
Membership and agency shop dues	$ 13,120,393	$ -	$ 13,120,393	$ 12,993,194
Legal defense fund dues	-	550,897	550,897	554,382
Rainy day fund dues	-	1,101,795	1,101,795	1,108,764
Rainy day fund repayments	-	494,434	494,434	193,966
Investment return, net	83,695	3,723	87,418	243,886
Rental income	57,616	-	57,616	27,408
Miscellaneous income	64,955	-	64,955	64,887
Net Assets Released From Restrictions:				
Restrictions satisfied by payments	2,310,105	(2,310,105)	-	-
Total Revenue	15,636,764	(159,256)	15,477,508	15,186,487
Expenses:				
Program services	15,213,235	-	15,213,235	14,664,839
Support services:				
Management and general	1,033,818	-	1,033,818	1,006,649
Membership development	857,244	-	857,244	810,075
Total Expenses	17,104,297	-	17,104,297	16,481,563
Decrease in Net Assets From Operating Activities	(1,467,533)	(159,256)	(1,626,789)	(1,295,076)
Nonoperating:				
Change in pension funded status	131,429	-	131,429	(68,824)
Decrease in Net Assets	(1,336,104)	(159,256)	(1,495,360)	(1,363,900)
Net Assets at Beginning of Year	8,250,225	2,310,824	10,561,049	11,924,949
Net Assets at End of Year	$ 6,914,121	$ 2,151,568	$ 9,065,689	$ 10,561,049

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

Combined Statement of Functional Expenses

Year Ended December 31, 2018
(With Comparative Totals for 2017)

	Program Services	Support Services: Management and General	Support Services: Membership Development	2018 Totals	2017 Totals
Payroll	$ 1,028,176	$ 202,929	$ 121,758	$ 1,352,863	$ 1,239,563
Payroll taxes and employee benefits	353,478	69,765	41,859	465,102	452,364
Subtotal	1,381,654	272,694	163,617	1,817,965	1,691,927
Consulting and other professional fees	98,046	98,769	-	196,815	151,424
Depreciation and amortization	67,141	13,252	7,951	88,344	116,566
Equipment rental	28,068	5,540	3,324	36,932	30,166
Insurance	48,727	9,617	5,770	64,114	61,963
Legal Fees:					
Arbitration	-	-	-	-	245,525
Defense attorneys	257,176	-	-	257,176	209,464
Legal representation	1,858,154	366,741	220,045	2,444,940	2,397,000
Lobbying	-	-	-	-	50,000
Other	348,752	68,833	41,300	458,885	421,826
Legislative expenses	207,048	-	-	207,048	396,533
Member benefits	3,134,662	-	-	3,134,662	2,122,623
Miscellaneous	876	14,886	-	15,762	15,133
Occupancy and utilities	237,244	46,824	28,095	312,163	330,754
Office supplies and expenses	108,256	21,366	12,820	142,442	169,348
PAC expenses	278,675	-	-	278,675	256,985
Postage	51,593	10,183	6,110	67,886	89,207
Printing	63,490	12,531	7,519	83,540	113,487
Public relations	1,770,497	-	-	1,770,497	1,595,012
Repairs and maintenance	106	21	13	140	-
Sector Expenses:					
Operations	755,543	-	-	755,543	943,509
Special projects	781,942	-	-	781,942	912,453
Telephone	59,494	11,742	7,045	78,281	88,247
Training/regional meetings	-	-	84,239	84,239	41,314
Travel and meetings	1,332,348	-	-	1,332,348	1,373,062
Union leave	2,343,743	80,819	269,396	2,693,958	2,658,035
Total Expenses	$ 15,213,235	$ 1,033,818	$ 857,244	$ 17,104,297	$ 16,481,563

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

Combined Statements of Cash Flows

Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows From Operating Activities:		
Decrease in Net Assets	$ (1,495,360)	$ (1,363,900)
Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and amortization	88,344	116,566
Unrealized loss (gain) on investments	105,440	(59,491)
Realized loss on investments	6	22,273
Increase (decrease) in unfunded pension liability	(69,308)	93,497
Bad debt - rainy day fund	(106,309)	202,809
Bond amortization	67,972	105,205
(Increase) Decrease in:		
Dues receivable	(28,256)	(40,541)
Accounts receivable	8,141	119,378
Rainy day fund overpayments receivable	(179,740)	(302,700)
Prepaid expenses	(8,127)	50,900
Increase (Decrease) in:		
Accounts payable	35,488	197,207
Accrued expenses	(49,125)	(2,879)
Accrued compensation	11,780	3,809
Accrued separation benefit	1,066,500	-
Officer release time payable	245,362	(52,400)
Security deposit	5,600	-
Net Cash Provided (Used) by Operating Activities	(301,592)	(910,267)
Cash Flows From Investing Activities:		
Purchases of property and equipment	(52,823)	(155,813)
Purchases of investments	-	(2,305,663)
Proceeds from sale of investments	1,050,000	4,490,077
Decrease in deposits	(1,500)	(225)
Net Cash Provided (Used) by Investing Activities	995,677	2,028,376
Cash Flows From Financing Activities:		
Change in deferred compensation liability	(1,976)	(111,690)
Net Cash Provided (Used) by Financing Activities	(1,976)	(111,690)
Net Increase in Cash, Cash Equivalents, Designated Cash, and Restricted Cash	692,109	1,006,419
Cash, Cash Equivalents, Designated Cash, and Restricted Cash at Beginning of Year	2,384,747	1,378,328
Cash, Cash Equivalents, Designated Cash, and Restricted Cash at End of Year	$ 3,076,856	$ 2,384,747

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 2018 and 2017. 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.

Financial Statement Presentation
Financial statement presentation follows FASB ASC 958-205 as amended by the implementation of FASB ASU 2016-14 for 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 amounts for December 31, 2017 in the accompanying financial statements are included to provide a basis for comparison with December 31, 2018 and present summarized totals only. Accordingly, the December 31, 2017 amounts are not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America.

Summary of Significant Accounting Policies – Continued

Financial Statement Presentation – Continued

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 change in pension funded status for its defined benefit pension plan is included in nonoperating activities.

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.

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.

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.

Summary of Significant Accounting Policies – Continued

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, 2018 and 2017, $154,499 and $133,174, 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 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).

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 2018 and 2017 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.

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 2017, it was determined that approximately one-third of the receivable was expected to be collected and, therefore, an allowance for doubtful accounts was established for two-thirds of the receivable balance at year-end. For 2018, additional assurances related to collections were instituted and the Association estimated that 80% of the receivable is now collectible.

Summary of Significant Accounting Policies – Continued

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.

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, 2018, 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, 2018, the tax years that remain subject to examination by taxing authorities begin with 2015.

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.

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.

Summary of Significant Accounting Policies – Continued

Expense Allocation – Continued

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 Pronouncement

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.

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.

The reclassifications involve the change in terms for net assets from unrestricted net assets to net assets without donor restrictions and from temporarily restricted net assets to net assets with donor restrictions. The expenses included in the combined statement of activities and changes in net assets are now shown by functional classification.

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:

	2018	2017
Cash and cash equivalents	$ 1,590,441	$ 1,545,817
Designated cash	154,499	133,174
Restricted cash, current portion	100,580	3,733
Investments	5,375,051	6,362,275
Dues receivable	968,050	939,794
Accounts receivable	98,782	106,923
Rainy day fund overpayments receivable, net of allowance for doubtful accounts	385,940	99,891
Prepaid expenses	380,049	371,922
Total financial assets available within one year	9,053,392	9,563,529

Liquidity and Availability – Continued

	2018	2017
Less: amounts unavailable for general expenditures within one year:		
Restricted by donors with purpose restrictions	(629,234)	(246,978)
Less: amounts unavailable to management without Board's approval:		
Board designated for rainy day fund	-	(250,000)
Board designated for political action committee	(154,499)	(133,174)
Total amounts unavailable to management without Board's approval	(154,499)	(383,174)
Total financial assets available to management for general expenditure within one year	$ 8,269,659	$ 8,933,377

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, 2018 and 2017, was $2,276,661 and $3,138,042, 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, 2018 and 2017, is as follows:

	2018	2017
Cash and cash equivalents	$ 1,590,441	$ 1,545,817
Designated cash	154,499	133,174
Restricted cash, current portion	100,580	3,733
Restricted cash, net of current portion	1,231,336	702,023
Total cash and cash equivalents, designated cash, and restricted cash	$ 3,076,856	$ 2,384,747

Investments and Restricted Investments

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

	2018	2017
Bonds	$ 5,375,051	$ 6,362,275
Less: cost basis	(5,445,066)	(6,361,421)
Net unrealized gain (loss)	$ (70,015)	$ 854

In 2017, costs were 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:

	2018	2017
Bonds	$ 1,249,577	$ 1,485,771
Less: cost basis	(1,279,004)	(1,480,628)
Net unrealized gain (loss)	$ (29,427)	$ 5,143

All bond investments bear general stock market risk. All of the investments are level 1 significant observable inputs at both December 31, 2018 and 2017. There were no transfers between levels during either fiscal year December 31, 2018 or 2017.

The following summarizes the investment return in the combined statement of activities and changes in net assets for the years ended December 31, 2018 and 2017:

	2018	2017
Interest income, without restrictions	$ 220,919	$ 282,052
Realized loss on investments, without restrictions	-	(22,273)
Unrealized gain (loss) on investments, without restrictions	(70,870)	53,343
Bond amortization, without restrictions	(66,354)	(105,205)
Interest income, with restrictions (legal defense fund)	39,917	29,821
Realized loss, with restrictions (legal defense fund)	(6)	-
Unrealized gain (loss) on investments, with restrictions (legal defense fund)	(34,570)	6,148
Bond amortization, with restrictions (legal defense fund)	(1,618)	-
Total investment return, net	$ 87,418	$ 243,886

Property and Equipment

Property and equipment is as follows as of December 31:

	2018	2017
Building	$ 1,131,532	$ 1,131,532
Land	124,000	124,000
Building improvements	944,308	919,180
Vehicles	45,009	45,009
Furniture, fixtures, and equipment	898,970	896,411
Total property and equipment	3,143,819	3,116,132
Less: accumulated depreciation	(1,470,925)	(1,407,717)
Property and equipment, net	$ 1,672,894	$ 1,708,415

Depreciation and amortization expense for the years ended December 31, 2018 and 2017 was $88,344 and $116,566, 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. 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. The Board voted in 2017 to suspend accruals for that year, and then voted in 2018 to reinstate the accruals for 2018. In 2019, the policy for accruals was changed to provide the accrual for each year based on the time worked by the employee. A summary of amounts owed and paid during 2018 and 2017 follows:

	2018	2017
Opening balance, January 1,	$ 270,450	$ 382,140
Additional compensation	84,808	74,468
Adjustments to prior year accruals	(19,732)	-
Payments	(67,052)	(186,158)
Ending balance, December 31,	$ 268,474	$ 270,450

Net Assets With Donor Restrictions

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

Net Assets With Donor Restrictions – Continued

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 has been used as of December 31, 2018.

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 $1,231,336 and $702,023 at December 31, 2018 and 2017, respectively. The legal defense fund also had investments in the amount of $1,249,577 and $1,485,771 at December 31, 2018 and 2017, respectively.

The rainy day fund cash was $100,580 and $3,733 at December 31, 2018 and 2017, respectively. The rainy day fund also had receivables in the amount of $24,393 and $30,503, at December 31, 2018 and 2017, 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 $482,440 and $302,700, with an associated allowance account in the amount of $96,500 and $202,809, for the years ended December 31, 2018 and 2017, 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, 2018 was $1,066,500. Separation benefits paid totaled $5,700 for the year ended December 31, 2018.

Net Assets With Donor Restrictions – Continued

Total net assets with donor restrictions at December 31, 2018 and 2017, are as follows:

	2018	2017
Legal defense fund	$ 2,567,440	$ 2,269,996
Rainy day fund	(415,872)	40,828
Total net assets with donor restrictions	$ 2,151,568	$ 2,310,824

The negative balance in the net assets with donor restrictions for the rainy day fund represents the amount that long-term liabilities exceed assets of the fund at December 31, 2018. 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

	2018	2017
Legal defense fund legal fees incurred	$ 257,176	$ 209,464
Rainy day fund benefits incurred (paid and accrued)	2,302,929	1,238,682
Use of board designated funds for rainy day fund	(250,000)	-
Total net assets released from restrictions	$ 2,310,105	$ 1,448,146

Fundraising Income and Expenses

There were no fundraising events in 2018 or 2017.

Operating Leases

The Association leases satellite office space and equipment under non-cancelable leases through July of 2023. Total rent expense amounted to $102,649 and $89,941 for the years ended December 31, 2018 and 2017, respectively. Total rent expense includes maintenance contract fees of $12,774 and $4,282 for the years ended December 31, 2018 and 2017, respectively. Obligations under all operating leases are as follows:

Years ending December 31,	
2019	$ 90,839
2020	67,212
2021	48,806
2022	23,002
2023	1,513
Total	$ 231,372

Operating Leases – Continued

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 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. Total rent expense for the residences was $32,825 and $23,070 for the years ended December 31, 2018 and 2017, respectively. The obligation under these leases is $19,185 for the year ended December 31, 2019.

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, 2018 and census information as of July 1, 2018 projected to December 31, 2018:

	2018	2017
Change in Benefit Obligation:		
Benefit obligation at beginning of period	$ 1,869,871	$ 1,636,482
Service cost	172,330	164,742
Interest cost	61,237	72,787
Actuarial (gain)/loss	(214,440)	139,097
Benefits paid	(1,366)	(143,237)
Assumption change	-	-
Benefit obligation at end of period	$ 1,887,632	$ 1,869,871
Fair value of plan assets at beginning of period	$ 969,512	$ 829,620
Actual return on plan assets	(56,169)	101,904
Employer contributions paid and payable	144,604	181,225
Benefits paid	(1,366)	(143,237)
Fair value of plan assets at end of period	$ 1,056,581	$ 969,512
Funded status	$ (831,051)	$ (900,359)
Accumulated unrecognized net actuarial loss	381,511	512,940
Accrued benefit cost	$ (449,540)	$ (387,419)

Pension Plans – Continued

	2018	2017
Components of Net Periodic Benefit Cost:		
Service cost	$ 172,330	$ 164,741
Interest cost	61,237	72,787
Expected return on plan assets	(54,210)	(54,121)
Amortization of actuarial loss	27,368	22,491
Net periodic benefit cost	$ 206,725	$ 205,898

The accumulated benefit obligation at December 31, 2018 and 2017 was $1,511,045 and $1,479,274, respectively.

At December 31, 2018 and 2017, the underfunded pension liability is included on the combined statements of financial position as an unfunded pension liability in the amount of $831,051 and $900,359, respectively. This amount is the net of the projected benefit obligation less plan assets at fair value, and, for 2017 only, 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 statement of activities and changes in net assets as the change in pension funded status. At December 31, 2018 and 2017, the accumulated unrecognized loss includes the following:

	2018	2017
Net actuarial loss	$ 381,511	$ 512,940
Prior service cost	-	-
Transition obligation	-	-
Total unrecognized loss	$ 381,511	$ 512,940

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:

	2018	2017
Benefit Obligations:		
Discount rate	4.00%	3.50%
Rate of compensation increase	3.00%	3.00%
Net Periodic Benefit Cost:		
Discount rate	3.50%	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.

Pension Plans – Continued

Contributions
The Association contributed $144,604 and $146,225 for the fiscal years ended December 31, 2018 and 2017, 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. Expected contributions for the next fiscal year for the years ended December 31, 2018 and 2017 are $99,000 and $126,000, respectively.

Estimated 2019 Net Periodic Benefit Cost/Income
The estimated 2019 net periodic benefit cost/income is as follows:

Service cost	$ 144,939
Interest cost	70,932
Expected return on plan assets	(58,845)
Amortization of net loss	14,781
2019 Net periodic benefit cost	$ 171,807

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

Years ending December 31,	
2019	$229,000
2020	-
2021	-
2022	174,000
2023	310,000
2024-2028	939,000

New Plan
During 2017, the Association initiated a 401(k) pension plan to cover both employees and officers. As of December 31, 2018 and 2017, there were one and zero 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, 2018 and 2017 was $1,770,497 and $1,595,012, respectively.

Political Action Committee

Summarized financial data of the Political Action Committee as of and for the years ended December 31, 2018 and 2017 is as follows:

	2018	2017
Assets and board designated net assets	$ 154,499	$ 133,174
Revenues	300,000	300,000
Expenses	(278,675)	(256,985)

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 $57,616 and $27,408 for the years ended December 31, 2018 and 2017, respectively.

Future minimum rent income is as follows:

Years ending December 31,	
2019	$ 88,416
2020	88,416
2021	54,816
2022	59,472
2023	20,600
Total	$ 311,720

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:

	2018	2017
Cost	$ 2,199,840	$ 2,174,712
Less: accumulated depreciation	(584,423)	(533,035)
Net book value	$ 1,615,417	$ 1,641,677

Contingencies

The Association was named in three lawsuits, one involving the death of an inmate at one of the facilities whose employees are represented by NYSCOPBA and two by Association members, alleging failure to

Contingencies – Continued

provide fair representation, among other issues. The Association's attorneys have requested dismissal of two of the claims. The remaining claim involving a member who alleged the Association violated its duty of fair representation, had hearings during 2018. A decision has not yet been rendered.

Subsequent Events

The Association has evaluated all events through June 24, 2019, the date which these combined financial statements were available to be issued, and determined that the following subsequent event requires disclosure:

During 2019, the Association's membership ratified a contract with the State of New York covering the period April 1, 2016, through March 31, 2021. As of June 24, 2019, the estimated retroactive dues owed to the Association covering the period April 1, 2016, through December 31, 2018, was approximately $1,378,000. There are also Section 25.9 benefit reimbursement payments due from New York State, as well as union leave benefits owed to the New York State Department of Corrections and the New York State Office of Mental Health. The amounts of Section 25.9 benefit reimbursement payments and the amounts owed for union leave could not be determined at this time.