

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

Independent Auditor's Report

Financial Statements

December 31, 2020  
(With Comparative Totals for 2019)

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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 6, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, 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

April 5, 2021

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

Combined Statements of Financial Position

December 31, 2020 and 2019

ASSETS	2020	2019
Current Assets:		
Cash and cash equivalents	\$ 2,780,215	\$ 4,796,103
Designated cash	395,744	244,049
Restricted and board designated cash, current portion	1,829,367	541,311
Investments	10,211,113	6,358,772
Dues receivable	674,478	1,120,802
Accounts receivable	150,163	393,503
Accounts receivable, restricted	20,443	92,103
Rainy day fund overpayments receivable, net of allowance for doubtful accounts of \$47,677 and \$40,800, respectively	437,115	346,565
Prepaid expenses	457,579	425,285
Total Current Assets	<u>16,956,217</u>	<u>14,318,493</u>
Property and equipment, net	<u>1,974,346</u>	<u>1,854,557</u>
Other Assets:		
Deposits	9,125	9,125
Restricted cash, net of current portion	1,529,414	875,811
Restricted investments	<u>2,789,710</u>	<u>1,826,158</u>
Total Other Assets	<u>4,328,249</u>	<u>2,711,094</u>
Total Assets	<u>\$ 23,258,812</u>	<u>\$ 18,884,144</u>

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

Combined Statements of Financial Position

December 31, 2020 and 2019

LIABILITIES AND NET ASSETS	2020	2019
Current Liabilities:		
Accounts payable	\$ 195,916	\$ 484,271
Accrued expenses	567,679	196,971
Accrued compensation	72,401	46,588
Officer release time payable	1,162,065	1,059,665
Deferred revenue	229,728	235,797
Total Current Liabilities	2,227,789	2,023,292
Long-Term Liabilities:		
Accrued rainy day fund separation benefit	1,989,000	1,008,700
Unfunded pension liability	1,441,624	1,148,757
Deferred compensation liability	205,989	194,848
Security deposit	5,600	5,600
Total Long-Term Liabilities	3,642,213	2,357,905
Total Liabilities	5,870,002	4,381,197
Net Assets:		
Without Donor Restrictions:		
Designated by Executive Board for:		
Rainy day fund	250,000	250,000
Political action committee	395,744	244,049
Undesignated	12,240,080	10,961,195
Total Net Assets Without Donor Restrictions	12,885,824	11,455,244
With Donor Restrictions:		
Legal defense fund	3,285,003	2,915,241
Rainy day fund	1,217,983	132,462
Total Net Assets With Donor Restrictions	4,502,986	3,047,703
Total Net Assets	17,388,810	14,502,947
Total Liabilities and Net Assets	\$ 23,258,812	\$ 18,884,144

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, 2020  
(With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Totals	2019 Totals
Operating:				
Revenue:				
Dues:				
Membership and agency shop dues	\$ 13,960,671	\$ -	\$ 13,960,671	\$ 15,421,213
Legal defense fund dues	-	536,300	536,300	550,132
Rainy day fund dues	-	2,738,968	2,738,968	1,100,204
Rainy day fund repayments	-	256,683	256,683	136,620
Investment return, net	366,903	129,838	496,741	433,310
Rental income	74,712	-	74,712	88,416
Benefit fund income	924,931	-	924,931	3,422,822
Miscellaneous income	156,463	-	156,463	409,392
Net Assets Released From Restrictions:				
Restrictions satisfied by payments	2,206,506	(2,206,506)	-	-
Total Revenue	17,690,186	1,455,283	19,145,469	21,562,109
Expenses:				
Program services	13,632,493	-	13,632,493	13,380,049
Support Services:				
Management and general	1,602,213	-	1,602,213	1,568,656
Membership development	771,414	-	771,414	833,329
Total Expenses	16,006,120	-	16,006,120	15,782,034
Increase (Decrease) in Net Assets From Operating Activities	1,684,066	1,455,283	3,139,349	5,780,075
Nonoperating:				
Other components of net periodic pension cost	39,381	-	39,381	(25,111)
Change in pension funded status	(292,867)	-	(292,867)	(317,706)
Increase in Net Assets	1,430,580	1,455,283	2,885,863	5,437,258
Net Assets at Beginning of Year	11,455,244	3,047,703	14,502,947	9,065,689
Net Assets at End of Year	\$ 12,885,824	\$ 4,502,986	\$ 17,388,810	\$ 14,502,947

See Independent Auditor's Report and Notes

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

Combined Statement of Functional Expenses

Year Ended December 31, 2020  
(With Comparative Totals for 2019)

		Support Services			
	Program Services	Management and General	Membership Development	2020 Totals	2019 Totals
Payroll	\$ 722,104	\$ 608,834	\$ 84,954	\$ 1,415,892	\$ 1,476,270
Payroll taxes and employee benefits	364,152	83,657	44,289	492,098	430,825
Subtotal	1,086,256	692,491	129,243	1,907,990	1,907,095
Consulting and other professional fees	55,000	128,016	-	183,016	162,164
Depreciation and amortization	70,903	16,289	8,623	95,815	82,508
Equipment rental	29,264	6,723	3,559	39,546	42,458
Insurance	52,181	11,987	6,346	70,514	67,080
Legal Fees:					
Arbitration	153,709	-	-	153,709	123,704
Defense attorneys	246,522	-	-	246,522	324,942
Legal representation	1,917,408	440,486	233,198	2,591,092	2,495,876
Other	263,249	60,476	32,017	355,742	450,978
Legislative expenses	151,309	-	-	151,309	202,595
Member benefits	2,476,877	-	-	2,476,877	1,591,898
Miscellaneous	246	15,016	-	15,262	9,777
Occupancy and utilities	253,254	58,180	30,801	342,235	302,473
Office supplies and expenses	93,976	21,589	11,430	126,995	163,044
PAC expenses	148,305	-	-	148,305	210,450
Postage	23,030	5,290	2,801	31,121	61,304
Printing	82,789	19,019	10,069	111,877	57,769
Public relations	1,581,934	-	-	1,581,934	1,669,973
Repairs and maintenance	795	183	97	1,075	2,955
Sector Expenses:					
Operations	609,989	-	-	609,989	759,944
Special projects	1,305,472	-	-	1,305,472	788,382
Telephone	77,163	17,727	9,385	104,275	94,338
Training/regional meetings	-	-	21,993	21,993	68,839
Travel and meetings	614,935	-	-	614,935	1,208,797
Union leave	2,337,927	108,741	271,852	2,718,520	2,932,691
Total Expenses	<u>\$ 13,632,493</u>	<u>\$ 1,602,213</u>	<u>\$ 771,414</u>	<u>\$ 16,006,120</u>	<u>\$ 15,782,034</u>

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

Combined Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Increase in Net Assets	\$ 2,885,863	\$ 5,437,258
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and amortization	95,815	82,508
Unrealized gain on investments	(168,134)	(199,265)
Realized gain on investments	(58,780)	(24,926)
Increase in unfunded pension liability	292,867	317,706
Bad debt - rainy day fund	6,877	(55,700)
Bond amortization	56,565	21,132
(Increase) Decrease in:		
Dues receivable	446,324	(152,752)
Accounts receivable	243,340	(319,114)
Accounts receivable, restricted	71,660	(67,710)
Rainy day fund overpayments receivable	(97,427)	95,075
Prepaid expenses	(32,294)	(45,236)
Increase (Decrease) in:		
Accounts payable	(288,355)	25,464
Accrued expenses	370,708	(71,940)
Accrued compensation	25,813	(49,277)
Accrued rainy day fund separation benefit	980,300	(57,800)
Officer release time payable	102,400	(95,762)
Deferred revenue	(6,069)	235,797
Net Cash Provided (Used) by Operating Activities	<u>4,927,473</u>	<u>5,075,458</u>
Cash Flows From Investing Activities:		
Purchases of property and equipment	(215,604)	(264,171)
Purchases of investments	(8,225,833)	(5,271,300)
Proceeds from sale of investments	<u>3,580,289</u>	<u>3,914,057</u>
Net Cash Provided (Used) by Investing Activities	<u>(4,861,148)</u>	<u>(1,621,414)</u>
Cash Flows From Financing Activities:		
Change in deferred compensation liability	<u>11,141</u>	<u>(73,626)</u>
Net Cash Provided (Used) by Financing Activities	<u>11,141</u>	<u>(73,626)</u>
Net Increase in Cash and Cash Equivalents, Designated Cash, and Restricted Cash	77,466	3,380,418
Cash and Cash Equivalents, Designated Cash, and Restricted Cash at Beginning of Year	<u>6,457,274</u>	<u>3,076,856</u>
Cash and Cash Equivalents, Designated Cash, and Restricted Cash at End of Year	<u><u>\$ 6,534,740</u></u>	<u><u>\$ 6,457,274</u></u>

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NEW YORK STATE CORRECTIONAL OFFICERS &  
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Combined Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year For:		
Interest	<u>\$ 1,192</u>	<u>\$ -</u>

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See Independent Auditor's Report and Notes

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

Notes to Financial Statements

December 31, 2020 and 2019

**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 2020 and 2019. 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.

NEW YORK STATE CORRECTIONAL  
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Notes to Financial Statements

December 31, 2020 and 2019

**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 17 and 18 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 qualify 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 combined 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.

NEW YORK STATE CORRECTIONAL  
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Notes to Financial Statements

December 31, 2020 and 2019

**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, 2020 and 2019, \$395,744 and \$244,049, 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).

NEW YORK STATE CORRECTIONAL  
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Notes to Financial Statements

December 31, 2020 and 2019

**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. During 2020, New York State did not provide the members with their contracted increase in salaries due to the COVID pandemic and its effect on the State's economy. Accordingly, the Organization held general dues to the same amounts as the prior year.

Accounts receivable at 2020 and 2019 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 2020 and 2019, it was determined that the Association expected to collect approximately 90.2% and 89.5% respectively, and, therefore, an allowance for doubtful accounts was established for 9.8% and 10.5%, respectively.

Property and Equipment, Net

Property and equipment is stated at cost net of accumulated depreciation. 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.

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December 31, 2020 and 2019

**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, 2020, 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, 2020, the tax years that remain subject to examination by taxing authorities begin with 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. 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, arbitration, PAC expenses, public relations, 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, 2020, the Association adopted the provisions of 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*. The portion of ASU 2018-08 related to contributions made is effective for fiscal years beginning after December 15, 2019. This standard applies to conditional contributions made to others and states that contribution expense is to be recorded when the condition is met. The Association makes scholarship contributions to the family members of Association members after receipt of an application and grade reports. In prior years, the Association accrued an expense for those applications received up to the end of the fiscal year that had not been paid by the end of the year. The change in accounting method is to be done on a prospective basis. Therefore, those applications filed during 2020 and in future fiscal years will not be recorded as an expense of the Association until the condition of the submission of grades is met. Those amounts accrued during fiscal years up to and including 2019 which represent scholarship applications received and not yet paid in the amount of \$45,000 remain as an accrued expense.

The Organization also adopted the provisions of FASB ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*, which is effective for fiscal years beginning after December 15, 2019. This standard provides financial statement users with information about assets and liabilities measured at fair value in the financial statements.

Payroll Protection Program Loan

During June 2020, the Association received a Payroll Protection Program loan in the amount of \$327,600. The funds are intended to be a conditional contribution under FASB ASC 958-605. As such, the funds are initially recognized as a refundable advance. The Organization chose to repay the entire amount of the advance along with accrued interest of \$1,192 in September 2020.

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Notes to Financial Statements

December 31, 2020 and 2019

**Summary of Significant Accounting Policies – Continued**

**COVID-19 Financial Statement Impacts**

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Association is closely monitoring its business relationships and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Association's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact the Association's future financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the future effects of this pandemic.

**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.

**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:

	2020	2019
Cash and cash equivalents	\$ 2,780,215	\$ 4,796,103
Designated cash	395,744	244,049
Restricted and board designated cash, current portion	1,829,367	541,311
Investments	10,211,113	6,358,772
Dues receivable	674,478	1,120,802
Accounts receivable	170,606	485,606
Rainy day fund overpayments receivable, net of allowance for doubtful accounts	437,115	346,565
Prepaid expenses	457,579	425,285
Total financial assets available within one year	16,956,217	14,318,493
Less: amounts unavailable for general expenditures within one year:		
Restricted by donors with purpose restrictions	(2,179,123)	(855,203)
Less: amounts unavailable to management without Board's approval:		
Board designated for rainy day fund	(250,000)	(250,000)
Board designated for political action committee	(395,744)	(244,049)
Total amounts unavailable to management without Board's approval	(645,744)	(494,049)



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**Liquidity and Availability – Continued**

Total financial assets available to management for general expenditure within one year	<u>\$ 14,131,350</u>	<u>\$ 12,969,241</u>
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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, 2020 and 2019, was \$5,743,292 and \$2,811,047, 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, 2020 and 2019, and is as follows:

	2020	2019
Cash and cash equivalents	\$ 2,780,215	\$ 4,796,103
Designated cash	395,744	244,049
Restricted and board designated cash, current portion	1,829,367	541,311
Restricted cash, net of current portion	<u>1,529,414</u>	<u>875,811</u>
Total cash and cash equivalents, designated cash, and restricted cash	<u>\$ 6,534,740</u>	<u>\$ 6,457,274</u>

**Investments and Restricted Investments**

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

	2020	2019
Fixed income securities	\$ 10,211,113	\$ 6,358,772
Less: cost basis	<u>(10,058,447)</u>	<u>(6,307,727)</u>
Net unrealized gain	<u>\$ 152,666</u>	<u>\$ 51,045</u>

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**Investments and Restricted Investments – Continued**

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

	2020	2019
Legal Defense Fund:		
Fixed income securities	\$ 2,389,295	\$ 1,826,158
Less: cost basis	<u>(2,274,420)</u>	<u>(1,777,381)</u>
Net unrealized gain	<u>\$ 114,875</u>	<u>\$ 48,777</u>
Rainy Day Fund - Separation Benefits:		
Fixed income securities	\$ 400,415	\$ -
Less: cost basis	<u>(400,000)</u>	<u>-</u>
Net unrealized gain	<u>\$ 415</u>	<u>\$ -</u>

All fixed income security investments bear general stock market risk. All of the investments are level 1 significant observable inputs at both December 31, 2020 and 2019. There were no transfers between levels during either fiscal years ending December 31, 2020 or 2019. Investment income earned by legal defense fund and rainy day fund investments are 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, 2020 and 2019:

	2020	2019
<u>Without Restrictions:</u>		
Interest income	\$ 259,897	\$ 184,221
Realized gain on investments	52,410	24,926
Unrealized gain on investments	101,621	121,061
Bond amortization, without restrictions	(47,025)	(19,509)
<u>With Restrictions:</u>		
Interest income (legal defense fund)	66,138	46,030
Realized gain on investments (legal defense fund)	6,370	-
Unrealized gain on investments (legal defense fund)	66,098	78,204
Bond amortization (legal defense fund)	(9,540)	(1,623)
Interest income (rainy day fund)	357	-
Unrealized gain on investments (rainy day fund)	<u>415</u>	<u>-</u>
Total investment return, net	<u>\$ 496,741</u>	<u>\$ 433,310</u>

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**Property and Equipment, Net**

Property and equipment, net is as follows as of December 31:

	2020	2019
Building	\$ 1,131,532	\$ 1,131,532
Land	124,000	124,000
Building improvements	1,293,585	1,188,685
Vehicles	45,009	45,009
Furniture, fixtures, and equipment	970,055	889,984
Total property and equipment	3,564,181	3,379,210
Less: accumulated depreciation	(1,589,835)	(1,524,653)
Property and equipment, net	\$ 1,974,346	\$ 1,854,557

Depreciation and amortization expense for the years ended December 31, 2020 and 2019 was \$95,815 and \$82,508, 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 2020 and 2019 follows:

	2020	2019
Opening balance, January 1,	\$ 194,848	\$ 268,474
Additional compensation	54,431	96,534
Adjustments to prior year accruals	-	-
Payments	(43,290)	(170,160)
Ending balance, December 31,	\$ 205,989	\$ 194,848

**Net Assets With Donor Restrictions**

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

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**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 were collected in the amount of \$2 per member per pay period. The dues were raised to \$5 per member per pay period during 2020. 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. Effective November 20, 2018, the separation payment was frozen to the amount contributed under the original policy. No accrual was made between November 20, 2018, and January of 2020, when the separation payment was reinstated.

November 2018 amendments included 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. The benefit per member per pay period was reinstated at \$1,500 during January 2020, when dues were increased. 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 \$861,900 and \$875,811 at December 31, 2020 and 2019, respectively. The legal defense fund also had investments in the amount of \$2,389,295 and \$1,826,158 at December 31, 2020 and 2019, respectively.

The rainy day fund cash was \$2,496,881 and \$541,311 at December 31, 2020 and 2019, respectively. During 2020, the rainy day fund invested in fixed income securities totaling \$400,415 at December 31, 2020 in an effort to fund the reinstated separation benefit. The rainy day fund also had receivables in the amount of \$20,443 and \$92,103, at December 31, 2020 and 2019, 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 as a result of overpayments was \$484,792 and \$387,365, with an associated allowance account in the amount of \$47,677 and \$40,800, for the years ended December 31, 2020 and 2019, respectively.

At December 31, 2020, the rainy day fund accrued a separation benefit in the amount of \$50 each for approximately 21,300 members. The total accrual at December 31, 2020 and 2019 was \$1,989,000 and \$1,008,700, respectively. Separation benefits paid totaled \$87,100 and \$57,800 for the years ended December 31, 2020 and 2019, respectively.

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**Net Assets With Donor Restrictions – Continued**

Total net assets with donor restrictions at December 31, 2020 and 2019, are as follows:

	2020	2019
Legal defense fund	\$ 3,285,003	\$ 2,915,241
Rainy day fund	1,217,983	132,462
Total net assets with donor restrictions	<u>\$ 4,502,986</u>	<u>\$ 3,047,703</u>

**Net Assets Released From Restrictions**

	2020	2019
Legal defense fund legal fees incurred	\$ 295,604	\$ 324,942
Rainy day fund benefits and expenses incurred (paid and accrued)	1,910,902	438,490
Reinstitution of board designated funds for rainy day fund	-	250,000
Total net assets released from restrictions	<u>\$ 2,206,506</u>	<u>\$ 1,013,432</u>

**Fundraising Income and Expenses**

There were no fundraising events in 2020 or 2019.

**Operating Leases**

The Association leases satellite office space and equipment under non-cancelable leases through July of 2023. Total rent expense amounted to \$104,117 and \$107,009 for the years ended December 31, 2020 and 2019, respectively. Total rent expense includes maintenance contract fees of \$7,606 and \$8,999 for the years ended December 31, 2020 and 2019, respectively. Obligations under all operating leases are as follows:

Years ending	
December 31,	
2021	\$ 96,596
2022	68,644
2023	31,971
2024	26,196
2025	2,611
Total	<u>\$ 226,018</u>

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 \$1,895 through March 2019, with an increase in monthly rent to \$1,945 in March 2020. The lease was renewed through March 31, 2021 at a monthly rent of \$1,960. The second officer rented an apartment for \$1,500

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**Operating Leases – Continued**

per month through September 2020. A lease renewal at a monthly rent of \$1,500 was executed for the period October 1, 2020, through September 2021. Total rent expense for the residences was \$42,330 and \$41,190 for the years ended December 31, 2020 and 2019, respectively. The obligation under these leases is \$25,260 for the year ended December 31, 2021.

**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, 2020, and census information as of December 31, 2020:

	2020	2019
Change in Benefit Obligation:		
Benefit obligation at beginning of period	\$ 2,463,235	\$ 1,887,632
Service cost	213,381	144,939
Interest cost	65,575	70,932
Actuarial (gain)/loss	365,107	471,487
Employee contributions	2,250	-
Benefits paid	-	(111,755)
Benefit obligation at end of period	<u>\$ 3,109,548</u>	<u>\$ 2,463,235</u>
Fair value of plan assets at beginning of period	\$ 1,314,478	\$ 1,056,581
Actual return on plan assets	177,196	199,602
Employee contributions	2,250	-
Employer contributions paid and payable	174,000	170,050
Benefits paid	-	(111,755)
Fair value of plan assets at end of period	<u>\$ 1,667,924</u>	<u>\$ 1,314,478</u>
Funded status	\$ (1,441,624)	\$ (1,148,757)
Accumulated unrecognized net actuarial loss	<u>911,506</u>	<u>697,460</u>
Accrued benefit cost	<u>\$ (530,118)</u>	<u>\$ (451,297)</u>
Components of Net Periodic Benefit Cost:		
Service cost	\$ 213,381	\$ 144,939
Interest cost	65,575	70,932
Expected return on plan assets	(66,059)	(58,845)
Amortization of actuarial loss	<u>39,924</u>	<u>14,781</u>
Net periodic benefit cost	<u>\$ 252,821</u>	<u>\$ 171,807</u>

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**Pension Plans – Continued**

The accumulated benefit obligation at December 31, 2020 and 2019 was \$2,579,499 and \$2,030,429, respectively.

At December 31, 2020 and 2019, the underfunded pension liability is included on the combined statements of financial position as an unfunded pension liability in the amount of \$1,441,624 and \$1,148,757, 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, 2020 and 2019, the accumulated unrecognized loss includes the following:

	2020	2019
Net actuarial loss	\$ 911,506	\$ 697,460
Prior service cost	-	-
Transition obligation	-	-
Total unrecognized loss	\$ 911,506	\$ 697,460

**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:

	2020	2019
Benefit Obligations:		
Discount rate	2.00%	3.00%
Rate of compensation increase	3.00%	3.00%
Net Periodic Benefit Cost:		
Discount rate	3.00%	4.00%
Rate of compensation increase	3.00%	3.00%
Expected return of assets	6.00%	6.00%

**Plan Assets**

The Association's plan assets totaling \$1,667,924 and \$1,314,478 for the years ended December 31, 2020 and 2019, respectively, are invested primarily in cash, money market accounts and bond and equity mutual funds.

**Contributions**

The Association contributed \$174,000 and \$170,050 for the fiscal years ended December 31, 2020 and 2019, respectively. Expected contributions for the next fiscal year for the years ended December 31, 2020 and 2019 are \$187,000 and \$177,100, respectively.

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**Pension Plans – Continued**

**Estimated 2021 Net Periodic Benefit Cost/Income**

The estimated 2021 net periodic benefit cost/income is as follows:

Service cost	\$	237,229
Interest cost		55,966
Expected return on plan assets		(85,374)
Amortization of net loss		60,236
		<hr/>
2021 Net periodic benefit cost	\$	<u>268,057</u>

**Cash Flows**

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

Years ending	
December 31,	
2021	\$ 623,000
2022	418,000
2023	-
2024	357,000
2025	582,000
2026-2030	581,000

**Defined Contribution Plan**

During 2017, the Association initiated a 401(k) pension plan to cover both employees and officers. As of December 31, 2020 and 2019, there were five members with account balances in the plan. 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, 2020 and 2019 was \$1,581,934 and \$1,669,973, respectively.

**Political Action Committee**

Summarized financial data of the Political Action Committee as of and for the years ended December 31, 2020 and 2019 is as follows:

	2020	2019
Assets and board designated net assets	\$ 395,744	\$ 244,049
Revenues	300,000	300,000
Expenses	(148,305)	(210,450)



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**Tenant Leases**

The Association leased 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 was 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 Organization waived three months rental payments during 2020 as a result of the COVID pandemic.

The second lease term began December 1, 2018, and was 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 \$74,712 and \$88,416 for the years ended December 31, 2020 and 2019, respectively.

Both tenants terminated their leases in January 2021.

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:

	2020	2019
Cost	\$ 2,549,117	\$ 2,444,217
Less: accumulated depreciation	(698,629)	(639,375)
Net book value	<u>\$ 1,850,488</u>	<u>\$ 1,804,842</u>

**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 April 5, 2021, the date which these combined financial statements were available to be issued, and determined that the following subsequent event requires disclosure:

After December 31, 2020, both tenants of the Organization vacated the property. The Organization is using a portion of the rental space for their own activities and has no current plans to lease any space to outside parties.