



Police Benevolent Association of the New York State Troopers, Inc.

Financial Statements

December 31, 2014 and 2013



McENERNEY, BRADY & COMPANY
Certified Public Accountants
A division of O'Connor Davies, LLP

Independent Auditors' Report

The Board of Directors Police Benevolent Association of the New York State Troopers, Inc.

We have audited the accompanying financial statements of the Police Benevolent Association of the New York State Troopers, Inc., (a not-for-profit corporation) which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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.

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The Board of Directors
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Police Benevolent Association of the New York State Troopers, Inc., as of December 31, 2014 and 2013, and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

McEnerney, Brady & Company

A division of O'Connor Davies, LLP

Livingston, New Jersey
September 28, 2015

Police Benevolent Association of the New York State Troopers, Inc.

Statements of Financial Position

	December 31,	
	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets		
Cash	\$ 588,735	\$ 560,139
Investments	1,072,026	1,046,151
Investment in NYST Holdings Company, LLC	339,182	339,182
Inventory	42,017	55,285
Prepaid expenses	<u>29,291</u>	<u>29,006</u>
Total Current Assets	2,071,251	2,029,763
Property and equipment - net	57,722	68,063
Due from NYST Holdings Company, LLC	<u>264,032</u>	<u>167,617</u>
	<u>\$ 2,393,005</u>	<u>\$ 2,265,443</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 246,931	\$ 268,003
Member dues received in advance	326,700	177,705
Conference fees received in advance	18,300	-
Due to NYST Benefit Fund, Inc.	121	-
Due to NYS Troopers PBA Signal 30 Fund, Inc.	<u>12,188</u>	<u>5,805</u>
Total Current Liabilities	<u>604,240</u>	<u>451,513</u>
Net Assets		
Unrestricted	<u>1,788,765</u>	<u>1,813,930</u>
	<u>\$ 2,393,005</u>	<u>\$ 2,265,443</u>

See notes to financial statements

Police Benevolent Association of the New York State Troopers, Inc.

Statements of Activities

	<u>Year Ended December 31, 2014</u>			<u>Year Ended December 31, 2013</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE						
Member dues	\$ 4,122,150	\$ -	\$ 4,122,150	\$ 3,906,083	\$ -	\$ 3,906,083
Investment income	25,957	-	25,957	51,463	4,937	56,400
Donations	-	51,952	51,952	-	63,619	63,619
PBA items sold	23,902	-	23,902	14,924	-	14,924
Net assets released from restrictions	<u>51,952</u>	<u>(51,952)</u>	<u>-</u>	<u>68,556</u>	<u>(68,556)</u>	<u>-</u>
Total Support and Revenue	<u>4,223,961</u>	<u>-</u>	<u>4,223,961</u>	<u>4,041,026</u>	<u>-</u>	<u>4,041,026</u>
EXPENSES						
Program services	3,605,766	-	3,605,766	3,928,953	-	3,928,953
Management and general	<u>643,360</u>	<u>-</u>	<u>643,360</u>	<u>610,976</u>	<u>-</u>	<u>610,976</u>
Total Expenses	<u>4,249,126</u>	<u>-</u>	<u>4,249,126</u>	<u>4,539,929</u>	<u>-</u>	<u>4,539,929</u>
 Change in Net Assets	 (25,165)	 -	 (25,165)	 (498,903)	 -	 (498,903)
NET ASSETS						
Beginning of year	<u>1,813,930</u>	<u>-</u>	<u>1,813,930</u>	<u>2,312,833</u>	<u>-</u>	<u>2,312,833</u>
End of year	<u>\$ 1,788,765</u>	<u>\$ -</u>	<u>\$ 1,788,765</u>	<u>\$ 1,813,930</u>	<u>\$ -</u>	<u>\$ 1,813,930</u>

See notes to financial statements

Police Benevolent Association of the New York State Troopers, Inc.

Statements of Functional Expenses

	Year Ended December 31, 2014			Year Ended December 31, 2013		
	Program Services	Management and General	Total Expenses	Program Services	Management and General	Total Expenses
Auto	\$ 1,362	\$ 240	\$ 1,602	\$ 2,511	\$ 443	\$ 2,954
Bank fees	-	8,497	8,497	-	3,242	3,242
Contract labor - administrative staff	5,669	1,001	6,670	5,363	946	6,309
Depreciation	-	19,896	19,896	-	16,611	16,611
Dues and assessments	-	49,202	49,202	-	55,815	55,815
Employee health benefits	112,990	19,940	132,930	95,866	16,917	112,783
Equipment rental	19,245	3,396	22,641	16,997	3,000	19,997
Good and welfare	234,261	-	234,261	191,302	-	191,302
Hurricane Sandy	-	-	-	173	-	173
Insurance	98,814	17,438	116,252	21,361	3,770	25,131
Legal and legislative	185,171	32,677	217,848	226,141	39,907	266,048
Lodging	73,712	13,008	86,720	80,994	14,293	95,287
Meetings and conventions	133,423	23,545	156,968	144,401	25,482	169,883
Member benefit - other	-	-	-	4,937	-	4,937
Mileage allowance - officers and delegates	2,229	393	2,622	3,896	687	4,583
NTC conference	1,366	-	1,366	38,521	-	38,521
Office	126,075	22,249	148,324	106,341	19,041	125,382
Officers' release time	521,484	92,027	613,511	520,879	91,920	612,799
PAC contributions	325,740	-	325,740	333,245	-	333,245
Payroll - employees	725,512	128,031	853,543	615,096	108,546	723,642
Payroll - officers and delegates	287,690	50,769	338,459	286,284	50,521	336,805
Payroll - service fees	5,801	1,024	6,825	2,251	397	2,648
Payroll taxes	77,829	13,735	91,564	66,786	11,786	78,572
PBA Items	6,089	-	6,089	6,642	-	6,642
Pension - employee	66,403	11,718	78,121	59,555	10,510	70,065
Postage	36,593	6,458	43,051	19,430	3,429	22,859
Public relations	52,006	-	52,006	9,528	-	9,528
Professional fees	-	52,250	52,250	-	59,440	59,440
Rent	114,303	20,171	134,474	114,640	20,231	134,871
Repairs and maintenance	-	948	948	-	2,730	2,730
Surgeons group expenses	32,569	-	32,569	4,214	-	4,214
Telephone	53,611	9,461	63,072	54,399	9,600	63,999
Travel	16,087	2,839	18,926	23,988	4,233	28,221
Vehicle fleet leasing and costs	240,536	42,447	282,983	212,378	37,479	249,857
Contributions to Signal 30 Fund	275,327	-	275,327	169,735	-	169,735
Contributions to NYST Benefit Fund	168,238	-	168,238	774,471	-	774,471
Signal 30 Fund admin. expenses	43,955	-	43,955	31,575	-	31,575
Signal 30 Fund expense allocation	(274,917)	-	(274,917)	(169,735)	-	(169,735)
NYST Benefit Fund expense allocation	(163,407)	-	(163,407)	(145,212)	-	(145,212)
Total Expenses	\$ 3,605,766	\$ 643,360	\$ 4,249,126	\$ 3,928,953	\$ 610,976	\$ 4,539,929

See notes to financial statements

Police Benevolent Association of the New York State Troopers, Inc.

Statements of Cash Flows

	For the Year Ended December 31,	
	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (25,165)	\$ (498,903)
Adjustments to reconcile net assets to net cash from operating activities		
Depreciation	19,896	16,611
Realized (gain) on investments	(4,127)	(2,914)
Unrealized (gain) loss on investments	5,243	(20,311)
Due from NYST Benefit Fund, Inc.	-	618,310
Changes in operating assets and liabilities		
Member dues receivable	-	114,857
Inventory	13,268	(37,544)
Prepaid expenses	(285)	(3,852)
Due from NYST Holdings Company, LLC	(96,415)	(42,000)
Accounts payable and accrued expenses	(21,072)	(178,528)
Member dues received in advance	148,995	16,927
Conference fees received in advance	18,300	-
Due to NYS Troopers PBA Signal 30 Fund, Inc.	6,383	(16,328)
Due to NYST Benefit Fund, Inc.	121	(2,230,312)
Net Cash from Operating Activities	<u>65,142</u>	<u>(2,263,987)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of office equipment	(9,555)	(28,239)
Purchase of investments	(26,991)	(28,088)
Net Cash from Investing Activities	<u>(36,546)</u>	<u>(56,327)</u>
 Net Change in Cash	 28,596	 (2,320,314)
CASH		
Beginning of year	<u>560,139</u>	<u>2,880,453</u>
End of year	<u>\$ 588,735</u>	<u>\$ 560,139</u>

See notes to financial statements

Police Benevolent Association of the New York State Troopers, Inc.

Notes to Financial Statements
December 31, 2014 and 2013

1. Organization

The Police Benevolent Association of the New York State Troopers, Inc. (the "PBA") was incorporated in 1979 as a not-for-profit membership corporation under the laws of the State of New York. The PBA represents its members in collective bargaining, contract administration, grievance handling and matters related to their conditions of employment.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates also affect the reported amount of revenue and expenses during the reporting period. The estimated useful lives of fixed assets, investments, depreciation, accounts payable, and accrued expenses, among other accounts, require the significant use of estimates. Actual results could differ from the estimates.

Certain 2013 information has been reclassified in order to conform to current year presentation.

Net Assets Presentation

Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors. Temporarily restricted net assets are those whose use is limited by donors to a specific time period or purpose. Permanently restricted net assets are limited by donors for the investment in perpetuity.

Support and Revenue

The PBA reports gifts of cash, other assets and long-lived assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, this is, when a stipulated time restrictions ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. In the absence of donor specification that income and gains on donated funds are restricted, such income and gains are reported as revenues of unrestricted net assets.

Inventory

The PBA sells inventories, which consist of PBA shirts, hats, and other items, which are carried at the lower of cost or market, determined using the first-in, first-out method.

Revenue Recognition

Revenues are recognized in the period dues member dues are assessed.

Police Benevolent Association of the New York State Troopers, Inc.

Notes to Financial Statements
December 31, 2014 and 2013

2. Summary of Significant Accounting Policies (*continued*)

Fair Value Measurements

The PBA follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 input has the highest reliability and is related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist. All of the PBA's investments were valued using Level 1 inputs.

Investments

Investments are reported on the basis of quoted market value as reported on the last business day of the year on securities exchanges throughout the world for mutual funds, stocks and bonds. Money markets and certificates of deposits are valued at the amounts deposited plus accrued interest. Purchases and sales of securities are recorded on a trade date basis. Realized gains and losses on investments in securities are calculated based on cost and are reflected in the statement of activities. Dividend income is recorded on the ex-dividend date and interest income is recorded on an accrual basis.

Property and Equipment

Property and equipment is stated at cost. Depreciation is recorded using the straight-line method over the estimated useful life of the assets ranging from 5 – 31 ½ years. Costs related to normal repairs and maintenance is expensed as incurred.

Tax Status and Accounting for Uncertainty in Income Taxes

The PBA is exempt from federal and state income taxes under Section 501(c)(5) of the Internal Revenue Code (the "Code") and is exempt from federal income taxes on related income pursuant to Section 102 of the Not-For-Profit Corporation Law in the State of New York. The PBA files Form 990 with the Internal Revenue Service and Form CHAR-500 with the State of New York annually.

The PBA recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the PBA had no uncertain tax positions that would require financial statement recognition or disclosure. The PBA is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to December 31, 2011.

Police Benevolent Association of the New York State Troopers, Inc.

Notes to Financial Statements
December 31, 2014 and 2013

2. Summary of Significant Accounting Policies (continued)

Risks and Uncertainties

The PBA invest in various investment securities. Investment securities are exposed to various risks such as interest rates, credit, and overall volatility risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the PBA's account balances and the amounts reported in the statement of financial position.

Due to the level of risk associated with these investments, it is at least reasonably possible that changes in the values in these investments, or financial condition of the PBA, will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Concentrations of Credit Risk

Financial instruments which potentially subject the PBA to concentrations of credit risk consist principally of cash and investments. At times, such amounts exceed the current insured amount under the Federal Deposit Insurance Corporation ("FDIC") of \$250,000. Certain cash accounts are maintained at a broker, which insures the balances up to the \$500,000 limit with the Securities Investor Protection Corporation ("SIPC").

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which is September 28, 2015.

3. Investments

Investments (level 1 inputs) at December 31 consist of:

	<u>2014</u>	<u>2013</u>
Cash equivalents	\$ 149,587	\$ 118,595
Corporate bonds	483,814	399,591
Equities	319,207	344,207
Fixed income taxable funds	49,686	50,000
Non-Discretionary	8,044	11,688
US government & agency	61,688	122,070
Total	<u>\$ 1,072,026</u>	<u>\$ 1,046,151</u>

Police Benevolent Association of the New York State Troopers, Inc.

Notes to Financial Statements
December 31, 2014 and 2013

4. Property and Equipment

Property and equipment at December 31 consists of the following:

	<u>2014</u>	<u>2013</u>
Leasehold improvements	\$ 13,033	\$ 13,033
Office equipment	194,528	184,973
Leasehold equipment	<u>19,000</u>	<u>19,000</u>
Total	226,561	217,006
Less: Accumulated depreciation	<u>168,839</u>	<u>148,943</u>
Net	<u>\$ 57,722</u>	<u>\$ 68,063</u>

5. Temporarily Restricted Net Assets

The PBA received various donations in 2014 totaling \$51,952 restricted for specific purposes (gifts and donations) and was expended during 2014.

6. Related Party Transactions

NYS Troopers PAC

The PBA is affiliated with the NYS Troopers PAC through common Board members and allocated \$325,740 and \$333,245 to its Political Action Committee during December 31, 2014 and 2013.

NYST Benefit Fund, Inc.

The PBA is affiliated with the NYST Benefit Fund, Inc. (the "Benefit Fund") through common Board members. For the years ended December 31, 2014 and 2013, the PBA allocated certain expenditures paid on behalf of the Benefit Fund in the amount of \$163,407 and \$145,212, and made contributions in the amount of \$168,238 and \$774,471. During 2013, the PBA forgave the prior balance of \$618,310 due from the Benefit Fund which is shown as a Contribution to NYST Benefit Fund in the statements of functional expenses. There is no due from the Benefit Fund at December 31, 2014 and 2013.

NYS Troopers PBA Signal 30 Fund, Inc.

The PBA is affiliated with the NYS Troopers PBA Signal 30 Fund, Inc. (the "Signal 30 Fund") through common Board members. For the years ended December 31, 2014 and 2013, the PBA allocated administrative expenses to the Signal 30 Fund in the amount of \$274,917 and \$169,735, and made contributions in the amount of \$275,327 and \$169,735.

NYST PBA Holdings, LLC

The PBA is affiliated with the NYST PBA Holdings, LLC. (the "PBA Holdings") through common Board members and paid rent in the amount of \$133,200 during December 31, 2014 and 2013. A total of \$264,032 and \$167,617 is due from the PBA Holdings at December 31, 2014 and 2013, which are non-interest bearing.

Police Benevolent Association of the New York State Troopers, Inc.

Notes to Financial Statements
December 31, 2014 and 2013

7. Employee Pension Plan

The PBA has a defined contribution money purchase pension plan for employees who have reached 21 years of age and have completed at least two years of service with the PBA. Pension plan expense for the years ended December 31, 2014 and 2013 totaled \$78,121 and \$70,065.

8. Member Benefits

Member Benefits

The PBA provides benefits to its members. All benefits are deemed voluntary and may be altered or discontinued at the discretion of the Board of Directors if it best serves the general welfare of its members.

Legal Defense Plan

The PBA self administers a Legal Defense Plan. The Plan pays legal fees on behalf of the members for duty related incidents as follows:

- Legal Expenses to Defend Members
- Indemnification for Directors and Officers

9. Membership Dues

Members' dues for the years ended December 31 are summarized as follows:

	<u>2014</u>	<u>2013</u>
Active members	\$ 3,650,284	\$ 3,542,710
Retired members	50,222	59,316
BCI members	35,577	19,257
Police Surgeon's Group	381,930	281,953
Agency Shop	<u>4,137</u>	<u>2,847</u>
Total	<u>\$ 4,122,150</u>	<u>\$ 3,906,083</u>

10. Commitments and Contingencies

Fleet Vehicle Leasing Program

The PBA approved a fleet vehicle leasing program effective January 2009 to provide vehicles for all officers, delegates, and general counsel to accomplish activities and conduct business of the PBA. The total cost of the program was \$282,983 and \$249,857, for the years ended December 31, 2014 and 2013. The leases expire at various dates based on each vehicle's leasing terms. The future estimated minimum rental payments pursuant to the leases are estimated at \$145,000 per year.

Police Benevolent Association of the New York State Troopers, Inc.

Notes to Financial Statements
December 31, 2014 and 2013

10. Commitments and Contingencies (*continued*)

Legal and Regulatory Matters

The PBA is involved in various litigation matters arising from the conduct of its business. The PBA believes, after consultation with legal counsel, and considering the factors that gave rise to such litigation, that the outcome of such actions would not have a material adverse effect on the financial condition, results of operations, and cash flows of the PBA.
