

FDNY FOUNDATION, INC.

Financial Statements

For the Years Ended June 30, 2017 and 2016

FDNY FOUNDATION, INC.
For the Years Ended June 30, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
FDNY Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of FDNY Foundation, Inc. (the "Foundation") which comprise the statements of financial position as of June 30, 2017 and 2016, 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FDNY Foundation, Inc. as of June 30, 2017 and 2016, and the 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.

Buchbinder Tunick & Company LLP
BUCHBINDER TUNICK & COMPANY LLP

New York, NY
February 9, 2018

FDNY FOUNDATION, INC.
Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
ASSETS		
Assets:		
Cash and cash equivalents	\$ 4,711,664	\$ 3,198,194
Pledges receivable, net	1,278,833	1,500,675
Grants receivable	383,280	525,946
Royalties and other receivables	78,961	80,131
Investments	6,605,689	5,729,418
Inventory	419,629	403,374
Prepaid expenses and other assets	44,738	45,288
Property and equipment, net	111,976	161,504
Total assets	\$ 13,634,770	\$ 11,644,530
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 384,952	\$ 102,796
Grants payable	1,505,727	1,238,474
Deferred revenue	281,187	179,310
Total liabilities	2,171,866	1,520,580
Commitments and contingencies		
Net assets:		
Unrestricted:		
Undesignated	2,838,433	2,396,895
Board-designated endowment	6,605,689	5,729,418
Total unrestricted	9,444,122	8,126,313
Temporarily restricted	2,018,782	1,997,637
Total net assets	11,462,904	10,123,950
Total liabilities and net assets	\$ 13,634,770	\$ 11,644,530

See notes to financial statements.

FDNY FOUNDATION, INC.
Statements of Activities
For the years ended June 30, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenue:						
Contributions and private grants (including in-kind contributions of \$2,193,731 and \$2,487,495 for 2017 and 2016, respectively)	\$ 3,381,737	\$ 1,288,768	\$ 4,670,505	\$ 3,665,707	\$ 472,246	\$ 4,137,953
Government grants	790,016	-	790,016	82,377	1,000,000	1,082,377
Special events (net of direct benefit to donors of \$192,917 and \$175,227 for 2017 and 2016, respectively)	2,659,383	-	2,659,383	2,384,483	-	2,384,483
Rental income	3,700	-	3,700	22,200	-	22,200
Licensing royalties and commissions	173,820	-	173,820	194,466	-	194,466
Merchandise sales - Fire Zone retail (net of cost of goods sold of \$559,139 and \$431,459 for 2017 and 2016, respectively)	512,314	-	512,314	591,404	-	591,404
Publications	136,886	-	136,886	147,218	-	147,218
Interest and dividends, net	94,519	-	94,519	92,078	-	92,078
Net realized and unrealized gains (losses) on investments	532,913	-	532,913	(154,244)	-	(154,244)
Symposium and document processing fees	51,189	-	51,189	19,020	-	19,020
Other	206,280	-	206,280	201,040	-	201,040
	<u>8,542,757</u>	<u>1,288,768</u>	<u>9,831,525</u>	<u>7,245,749</u>	<u>1,472,246</u>	<u>8,717,995</u>
Net assets released from restrictions	<u>1,267,623</u>	<u>(1,267,623)</u>	<u>-</u>	<u>1,501,095</u>	<u>(1,501,095)</u>	<u>-</u>
Total public support and revenue	<u>9,810,380</u>	<u>21,145</u>	<u>9,831,525</u>	<u>8,746,844</u>	<u>(28,849)</u>	<u>8,717,995</u>
Expenses:						
Program services:						
Fire zone educational and retail	1,049,784	-	1,049,784	1,076,029	-	1,076,029
Wellness programs	350,605	-	350,605	394,925	-	394,925
Fire and life safety programs	<u>6,557,044</u>	<u>-</u>	<u>6,557,044</u>	<u>6,455,330</u>	<u>-</u>	<u>6,455,330</u>
Total program services	<u>7,957,433</u>	<u>-</u>	<u>7,957,433</u>	<u>7,926,284</u>	<u>-</u>	<u>7,926,284</u>
Supporting services:						
Management and general	260,731	-	260,731	265,432	-	265,432
Fundraising	<u>274,407</u>	<u>-</u>	<u>274,407</u>	<u>218,160</u>	<u>-</u>	<u>218,160</u>
Total supporting services	<u>535,138</u>	<u>-</u>	<u>535,138</u>	<u>483,592</u>	<u>-</u>	<u>483,592</u>
Total expenses	<u>8,492,571</u>	<u>-</u>	<u>8,492,571</u>	<u>8,409,876</u>	<u>-</u>	<u>8,409,876</u>
Change in net assets before Hurricane Sandy relief-related activities	1,317,809	21,145	1,338,954	336,968	(28,849)	308,119
Hurricane Sandy relief expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,274)</u>	<u>(42,274)</u>
Change in net assets after Hurricane Sandy relief-related activities	1,317,809	21,145	1,338,954	336,968	(71,123)	265,845
Net assets:						
Beginning of year	<u>8,126,313</u>	<u>1,997,637</u>	<u>10,123,950</u>	<u>7,789,345</u>	<u>2,068,760</u>	<u>9,858,105</u>
End of year	<u>\$ 9,444,122</u>	<u>\$ 2,018,782</u>	<u>\$ 11,462,904</u>	<u>\$ 8,126,313</u>	<u>\$ 1,997,637</u>	<u>\$ 10,123,950</u>

See notes to financial statements.

FDNY FOUNDATION, INC.
Statements of Functional Expenses
For the year ended June 30, 2017
(with summarized totals for June 30, 2016)

	Program Services			Supporting Services			Totals		
	Fire Zone Educational and Retail	Wellness Programs	Fire and Life Safety Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	2017	2016
Salaries	\$ 70,317	\$ -	\$ 149,642	\$ 219,959	\$ 49,427	\$ 154,850	\$ 204,277	\$ 424,236	\$ 431,083
Payroll taxes and benefits	3,597	-	14,824	18,421	51,613	2,562	54,175	72,596	72,942
Professional fees	1,066	2,250	62,349	65,665	71,257	-	71,257	136,922	159,357
Counseling services	-	-	60,990	60,990	-	-	-	60,990	70,119
Meeting space rental and related expenses	557	331	74,484	75,372	129	30,064	30,193	105,565	88,843
Printing and publications	4,884	-	1,015	5,899	6,814	24,171	30,985	36,884	64,687
Dues and subscriptions	1,472	-	780	2,252	2,185	7,796	9,981	12,233	17,789
Supplies and materials	6,529	161	18,700	25,390	1,352	4,288	5,640	31,030	69,543
Advertising and promotion	16,862	-	1,211,161	1,228,023	1,425	126	1,551	1,229,574	1,299,835
Smoke alarms and batteries	-	-	1,479,071	1,479,071	-	-	-	1,479,071	1,852,283
Rent	454,968	292,670	35,466	783,104	33,533	-	33,533	816,637	799,532
Postage, shipping and delivery	59,246	-	8,390	67,636	1,493	719	2,212	69,848	63,153
Grants to Fire Department	-	-	2,393,000	2,393,000	-	-	-	2,393,000	2,267,311
Donated educational materials and supplies	-	-	-	-	-	-	-	-	1,277
Equipment rental and expense	3,946	-	64,508	68,454	-	-	-	68,454	199,778
Telephone	14,590	12,416	130	27,136	2,837	-	2,837	29,973	38,636
Repairs and maintenance	77,132	-	850	77,982	250	351	601	78,583	89,132
Communication and internet	72	5,259	-	5,331	250	-	250	5,581	12,152
Bank charges and other fees	27,839	-	10,521	38,360	3,380	10,715	14,095	52,455	43,246
Utilities	-	32,300	-	32,300	500	-	500	32,800	29,771
Travel	408	-	20,365	20,773	163	382	545	21,318	40,581
Temporary help	244,260	4,803	375,354	624,417	22,681	10,556	33,237	657,654	525,921
Scholarships	-	-	551,575	551,575	-	-	-	551,575	74,463
Other	9,651	415	23,869	33,935	11,442	27,827	39,269	73,204	51,560
Total expenses before depreciation	997,396	350,605	6,557,044	7,905,045	260,731	274,407	535,138	8,440,183	8,362,994
Depreciation	52,388	-	-	52,388	-	-	-	52,388	46,882
Total expenses after depreciation	1,049,784	350,605	6,557,044	7,957,433	260,731	274,407	535,138	8,492,571	8,409,876
Grant cash payments	-	-	-	-	-	-	-	-	42,274
Total expenses	\$ 1,049,784	\$ 350,605	\$ 6,557,044	\$ 7,957,433	\$ 260,731	\$ 274,407	\$ 535,138	\$ 8,492,571	\$ 8,452,150

See notes to financial statements.

FDNY FOUNDATION, INC.
Statements of Functional Expenses (Continued)
For the year ended June 30, 2016

	Program Services				Supporting Services			Totals
	Fire Zone Educational and Retail	Wellness Programs	Fire and Life Safety Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	2016
Salaries	\$ 78,761	\$ -	\$ 166,702	\$ 245,463	\$ 60,880	\$ 124,740	\$ 185,620	\$ 431,083
Payroll taxes and benefits	6,502	-	20,134	26,636	36,763	9,543	46,306	72,942
Professional fees	1,384	-	81,329	82,713	63,444	13,200	76,644	159,357
Counseling services	-	-	70,119	70,119	-	-	-	70,119
Meeting space rental and related expenses	680	-	69,399	70,079	4,619	14,145	18,764	88,843
Professional development	-	-	-	-	-	-	-	-
Printing and publications	2,564	-	41,231	43,795	2,573	18,319	20,892	64,687
Dues and subscriptions	2,120	-	512	2,632	6,255	8,902	15,157	17,789
Supplies and materials	6,025	127	59,257	65,409	828	3,306	4,134	69,543
Advertising and promotion	18,955	-	1,279,562	1,298,517	1,318	-	1,318	1,299,835
Smoke alarms and batteries	-	-	1,852,283	1,852,283	-	-	-	1,852,283
Rent	454,968	283,171	27,860	765,999	33,533	-	33,533	799,532
Postage, shipping and delivery	51,334	-	7,246	58,580	41	4,532	4,573	63,153
Grants to Fire Department	-	-	2,267,311	2,267,311	-	-	-	2,267,311
Donated educational materials and supplies	-	-	1,277	1,277	-	-	-	1,277
Equipment rental and expense	8,036	20,745	170,997	199,778	-	-	-	199,778
Telephone	15,527	20,100	-	35,627	2,910	99	3,009	38,636
Repairs and maintenance	88,882	-	-	88,882	250	-	250	89,132
Communication and internet	6,777	5,125	-	11,902	250	-	250	12,152
Bank charges and other fees	22,946	-	2,800	25,746	8,739	8,761	17,500	43,246
Utilities	-	29,271	-	29,271	500	-	500	29,771
Travel	419	-	37,397	37,816	-	2,765	2,765	40,581
Temporary help	245,603	35,971	215,164	496,738	25,583	3,600	29,183	525,921
Scholarships	-	-	74,463	74,463	-	-	-	74,463
Other	17,664	415	10,287	28,366	16,946	6,248	23,194	51,560
Total expenses before depreciation	1,029,147	394,925	6,455,330	7,879,402	265,432	218,160	483,592	8,362,994
Depreciation	46,882	-	-	46,882	-	-	-	46,882
Total expenses after depreciation	1,076,029	394,925	6,455,330	7,926,284	265,432	218,160	483,592	8,409,876
Grant cash payments	-	42,274	-	42,274	-	-	-	42,274
Total expenses	\$ 1,076,029	\$ 437,199	\$ 6,455,330	\$ 7,968,558	\$ 265,432	\$ 218,160	\$ 483,592	\$ 8,452,150

See notes to financial statements.

FDNY FOUNDATION, INC.
Statements of Cash Flows
For the years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,338,954	\$ 265,845
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated retail facilities	446,700	443,700
Depreciation	52,388	46,882
Net realized and unrealized (gains) losses on investments	(532,913)	154,244
(Increase) decrease in operating assets:		
Pledges receivable	(224,858)	81,896
Grants receivable	142,666	(221,686)
Royalties and other receivables	1,170	(10,115)
Inventory	(16,255)	(48,516)
Prepaid expenses and other assets	550	(8,338)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	282,156	(259,133)
Grants payable	267,253	(23,155)
Deferred revenue	101,877	58,659
Net cash provided by operating activities	<u>1,859,688</u>	<u>480,283</u>
Cash flows from investing activities:		
(Purchases) of investment securities	(1,209,191)	(1,120,364)
Proceeds from sales of investment securities	865,833	782,681
(Purchases) of property assets	<u>(2,860)</u>	<u>(44,892)</u>
Net cash used in investing activities	<u>(346,218)</u>	<u>(382,575)</u>
Net increase in cash and cash equivalents	1,513,470	97,708
Cash and cash equivalents:		
Beginning of year	<u>3,198,194</u>	<u>3,100,486</u>
End of year	<u>\$ 4,711,664</u>	<u>\$ 3,198,194</u>
Supplemental disclosure of cash flow information:		
Donated facilities and services	<u>\$ 2,193,731</u>	<u>\$ 2,487,495</u>

See notes to financial statements.

FDNY FOUNDATION, INC.
Notes to Financial Statements
June 30, 2017 and 2016

Note 1 - Nature of Operations

The FDNY Foundation, Inc. (the "Foundation") is a not-for-profit organization established in New York in 1981, previously known as the FDNY Fire Safety Education Fund, to provide varied fire-safety education programs and activities in furtherance of the fire-safety education programs of the New York City Fire Department (the "FDNY"). The Foundation provides programs (i) to promote the professional development, training, and educational interests of the members of the FDNY and others in all areas of fire administration, firefighting, and fire prevention and investigation; and (ii) to provide emergency medical services and their residual beneficial effects to the residents of New York City and New York State. The elements required for consolidation of the Foundation's financial statements with those of the FDNY are not present.

The funds raised assist the FDNY in its mission to prevent and respond to fires, medical emergencies, disasters and terrorist acts, thereby protecting the lives and property of residents and visitors in New York City. The Foundation funds programs to help meet the FDNY's training, equipment, and education needs.

The FDNY, in collaboration with the Foundation, applies for and receives multiple federal, state and private grants. The grants' intended purpose is to provide counseling and wellness services for FDNY members and their families, education to the public, and training to members.

The Foundation also operates the FDNY Fire Zone, which provides varied fire-safety and fire-awareness education programs to children and others. The FDNY Fire Zone also operates a retail store which offers for sale to the general public various FDNY merchandise.

Except for certain types of income subject to unrelated business income tax (primarily from merchandise sales), the Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state and local income taxes under comparable laws.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of June 30, 2017 and 2016, the Foundation did not have any permanently restricted net assets.

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The Foundation's financial statements are presented on an accrual basis in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Cash and Cash Equivalents

For financial reporting purposes, the Foundation considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents, except for that portion of cash held as part of the investment portfolio.

Investment Valuation and Income Recognition

The Foundation's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See note 4 for discussion of fair value measurements.

Investment income is reflected in the statements of activities as increases and decreases in unrestricted net assets unless their use is temporarily restricted by explicit donor stipulations. Investment income includes interest and dividends earned on investments. Realized and unrealized gains and losses on investments reported at fair value are reported as a separate line item in the accompanying statements of activities.

Contributions and Pledges Receivable

Contributions are recorded as revenue upon the receipt of cash or unconditional pledges. Contributions are considered available for unrestricted use, unless specifically restricted by the donor. Conditional contributions are recorded when the specified conditions have been met. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Contributions and Pledges Receivable (Continued)

The Foundation reports contributions in the temporarily restricted net-asset classification if they are received with donor stipulations or time considerations as to their use. When a donor's restriction is met, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

Licensing and Royalty Income

The Foundation has an agreement with a third-party licensing agent of the City of New York, whereby the third-party licensing agent is responsible for the performance of the marketing and licensing services of the FDNY logo. In return, the Foundation receives 70% of the annual royalty income, net of expenditures.

Property and Equipment

Property and equipment are recorded at their original costs or, if contributed, at their appraised value at the dates of contributions. Depreciation of property and equipment is provided using the straight-line method over estimated useful lives of five to seven years; leasehold improvements are being amortized over fifteen years.

Inventories

Inventories consist of "FDNY" retail merchandise available for sale and are reported at the lower of cost or market value, using the first-in, first-out method. During 2017 and 2016, the Foundation wrote off \$50,000 and -0-, respectively, in obsolete inventory.

Accrued Vacation

Based on their tenure, employees are entitled to be paid for unused vacation time if they leave the Foundation. The accrued vacation obligation was approximately \$22,636 and \$22,382 for fiscal years 2017 and 2016, respectively, and was reported as part of accrued expenses in the accompanying statements of financial position.

Deferred Revenue

Contract amounts received in advance are reported as deferred revenue until the related expense is incurred or service is performed, at which time revenue is recorded.

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Endowment Funds

The Foundation reports all applicable disclosures to its board-designated funds treated as endowments (see note 8). There are no donor-restricted endowment funds.

Net Assets

The net assets of the Foundation and changes therein are classified and reported as follows:

(i) Unrestricted - undesignated:

Unrestricted net assets represent resources that are not subject to donor-imposed restrictions.

(ii) Unrestricted - board-designated:

The Foundation's Board of Directors has designated portions of unrestricted net assets for long-term investment. The income from the board-designated endowment is to be spent on the promotion of the Foundation's mission.

(iii) Temporarily restricted:

Temporarily restricted net assets represent those resources the use of which have been restricted by donors to specific purposes and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

Publication Income

Publication income is recognized over the annual subscription in the year received.

Rental Income

The Foundation leases space to an unrelated party in accordance with a signed lease agreement. Rental income is recognized in accordance with the lease agreement.

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Government Contracts

Activities arising from government contracts are treated as exchange transactions and, accordingly, unrestricted revenue is recorded as the related expenses are incurred.

Donated Goods and Services

Those donated goods and services that meet the requirements for recognition under generally accepted accounting principles are reported as both revenue and expense (or, in some cases as assets) in the accompanying statements of activities, at amounts determined by management to be reasonable for obtaining such goods and services.

Functional Allocation of Expenses

The costs of providing the Foundation's program and supporting services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the program and supporting services in ratios determined by management.

Advertising Costs

Advertising costs are expensed as incurred.

Hurricane Sandy Relief Cash Payments

During fiscal year 2013, the Foundation created a new program to help FDNY members that were severely impacted by Hurricane Sandy. No restricted contributions were received during 2017 and 2016 for program activities, while approximately \$42,270 was released during 2016 to fund related expenses, leaving a balance of \$-0- at June 30, 2016.

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Income Taxes

The Foundation files an annual Form 990, *Return of Organization Exempt from Income Tax*, with the Internal Revenue Service ("IRS"). At June 30, 2017, the Foundation's Form 990s for the years 2013 through 2016 remain eligible for examination by the IRS.

The Foundation adopted the provisions of the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") Topic 740-10-05, relating to the accounting and reporting for uncertainty on income taxes. For the Foundation, these provisions could be applicable to the incurrence of unrelated business income ("UBIT") attributable to some of the Fire Zone retail store merchandise. Because of the Foundation's general tax-exempt status, ASC Topic 740-10-05 did not have, and is not anticipated to have, a material impact on the Foundation's financial statements.

Subsequent Events

The Foundation has evaluated subsequent events and transactions through February 9, 2018, the date that the financial statements were available to be issued, and has concluded that no additional subsequent events disclosures are required.

Note 3 - Risks and Uncertainties

The Foundation maintains its cash balances at a major money center financial institution. Balances fluctuate during the year and may exceed the FDIC insurance limits. The Foundation has not experienced any losses in such accounts and management does not anticipate nonperformance by the financial institution.

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. 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 amounts reported in the Foundation's statements of financial position.

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

Note 4 - Fair Value Measurements

Financial Accounting Standards Board ("FASB") *Accounting Standards Codification* ("ASC") 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. It defines fair value as an exit price, which is the price that would be received for an asset or paid to transfer a liability in the Foundation's principal or most advantageous market for the asset or liability, in an orderly transaction between market participants on the measurement date.

The fair value hierarchy generally requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the entity's own assumptions based on market data and the entity's judgments about the assumptions that market participants would use in pricing the asset or liability, and are to be developed based on the best information available in the circumstances.

The Foundation determines the fair market value of its investments based on the established fair value definition and hierarchy levels. The three levels within the hierarchy that may be used to measure fair value are:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs, including Level 1 prices that have been adjusted; quoted prices for similar assets or liabilities; quoted prices in markets that are less active than traded exchanges; and other inputs that are observable or can be substantially corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are a significant component of the fair value of the assets or liabilities.

The lowest level of input that is a significant component of the fair value measurements determines the placement of the entire fair value measurement in the hierarchy. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the classification of fair value assets and liabilities within the fair value hierarchy levels.

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

Note 4 - Fair Value Measurements (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

Equity securities:

Equity securities are valued using quoted market prices in active markets.

Mutual funds and exchange-traded funds:

Mutual funds and exchange-traded funds (the "Funds") are valued at the closing price every business day. The Funds held by the Foundation are registered with the Securities and Exchange Commission. These Funds are required to publish their daily net asset value (NAV) and to transact at that price. The Funds held by the Foundation are deemed to be actively traded.

Money market fund:

The money market fund is stated at cost which approximates fair value.

Corporate bonds:

Corporate bonds are valued using a non-call spread scale that is created for each issuer for maturities going out to forty years. The spreads represent credit risk and are obtained from the new issue market, secondary trading and dealer quotations, using pricing models maximizing the use of observable inputs for similar securities.

The preceding valuation methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

Note 4 - Fair Value Measurements (Continued)

The following table sets forth, by level, the Foundation's assets that were accounted for at fair value on a recurring basis as of June 30, 2017 and 2016:

Investments in securities:

	2017				2016			
	Total Fair Value	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total Fair Value	Quoted Prices (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments at fair value:								
Corporate bonds:								
Preferred	\$ 89,708	\$ -	\$ 89,708	\$ -	\$ 93,223	\$ -	\$ 93,223	\$ -
Other	145,974	-	145,974	-	142,415	-	142,415	-
	<u>235,682</u>	<u>-</u>	<u>235,682</u>	<u>-</u>	<u>235,638</u>	<u>-</u>	<u>235,638</u>	<u>-</u>
Equity securities:								
Materials	162,158	162,158	-	-	163,655	163,655	-	-
Consumer goods	192,404	192,404	-	-	176,498	176,498	-	-
Energy limited partnership	-	-	-	-	20,309	20,309	-	-
Financial	402,636	402,636	-	-	329,394	329,394	-	-
Foreign	250,302	250,302	-	-	232,867	232,867	-	-
Health care	359,745	359,745	-	-	285,886	285,886	-	-
Industrials	165,967	165,967	-	-	150,882	150,882	-	-
Services	297,882	297,882	-	-	279,592	279,592	-	-
Technology	500,724	500,724	-	-	395,444	395,444	-	-
Utilities	37,906	37,906	-	-	39,671	39,671	-	-
Other	2,704	2,704	-	-	-	-	-	-
	<u>2,372,428</u>	<u>2,372,428</u>	<u>-</u>	<u>-</u>	<u>2,074,198</u>	<u>2,074,198</u>	<u>-</u>	<u>-</u>
Mutual funds:								
Emerging markets	189,788	189,788	-	-	149,650	149,650	-	-
Foreign	330,560	330,560	-	-	275,727	275,727	-	-
Blend	465,038	465,038	-	-	314,953	314,953	-	-
Growth	111,772	111,772	-	-	75,939	75,939	-	-
Value	71,549	71,549	-	-	55,575	55,575	-	-
Bonds	2,333,132	2,333,132	-	-	2,167,454	2,167,454	-	-
Other	293,876	293,876	-	-	102,650	102,650	-	-
	<u>3,795,715</u>	<u>3,795,715</u>	<u>-</u>	<u>-</u>	<u>3,141,948</u>	<u>3,141,948</u>	<u>-</u>	<u>-</u>
Money market fund	201,864	-	201,864	-	277,634	-	277,634	-
Total investments	<u>\$ 6,605,689</u>	<u>\$ 6,168,143</u>	<u>\$ 437,546</u>	<u>\$ -</u>	<u>\$ 5,729,418</u>	<u>\$ 5,216,146</u>	<u>\$ 513,272</u>	<u>\$ -</u>

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

Note 4 - Fair Value Measurements (Continued)

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

We evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. For the years ended June 30, 2017 and 2016, there were no significant transfers in or out of Levels 1, 2 or 3.

Note 5 - Receivables

Pledges Receivable

At June 30, 2017 and 2016, pledges receivable are due as follows:

	2017	2016
Less than one year	\$ 628,375	\$ 527,438
One to five years	751,254	1,076,764
	1,379,629	1,604,202
Reduction of pledges due in excess of one year to present value at 2.70% and 2.01% for fiscal years 2017 and 2016, respectively	(100,796)	(103,527)
	\$ 1,278,833	\$ 1,500,675

For fiscal years 2017 and 2016, pledges receivable included \$1,197,954 and \$1,494,506, respectively, that represented the value of the donated facilities reserved for use by the Foundation. Based on management's past experience, no reserve for non-collectability was established for fiscal years 2017 and 2016.

Receivables from Grants, Royalties and Other Sources

At June 30, 2017 and 2016, receivables from grants and royalties consisted of amounts arising from exchange transactions with the Foundation. All amounts are due within one year. Based on management's past experience, no reserve for non-collectability was needed for fiscal years 2017 and 2016.

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

Note 6 - Property and Equipment

Property assets, stated at cost, consist of the following for the years ended June 30, 2017 and 2016:

	2017	2016
Furniture, fixtures and equipment	\$ 407,114	\$ 404,254
Leasehold improvements	40,304	40,304
	447,418	444,558
Less: accumulated depreciation	335,442	283,054
Net property assets	\$ 111,976	\$ 161,504

Depreciation expense for fiscal years 2017 and 2016 was \$52,388 and \$46,882, respectively.

Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2017 and 2016 consisted of the following:

	2017	2016
Fire safety learning center	\$ 718,373	\$ 1,231,653
Family assistance	154,466	202,899
Fire department equipment and apparatus	446,563	268,710
Emergency Medical Services	1,115	789
FDNY Counseling Services Unit	27,182	27,132
Scholarships	605,467	197,805
Other	65,616	68,649
Temporarily restricted net assets	\$ 2,018,782	\$ 1,997,637

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

Note 7 - Temporarily Restricted Net Assets (Continued)

Net assets released from restrictions during each fiscal year consisted of the following:

	<u>2017</u>	<u>2016</u>
Fire safety programs	\$ 536,180	\$ 1,117,757
Family assistance	49,544	6,388
Fire department equipment and apparatus	70,322	226,127
Emergency Medical Services	14,124	6,450
FDNY Counseling Services Unit	27,905	56,843
Memorial park	-	513
Hurricane Sandy relief	-	42,274
Scholarships	551,316	75,077
Other	<u>18,232</u>	<u>11,940</u>
Temporarily restricted net assets	<u>\$ 1,267,623</u>	<u>\$ 1,543,369</u>

Note 8 - Board-designated Endowment Funds

The Foundation's endowment funds consist solely of those unrestricted funds designated by the Board of Directors to provide a predictable stream of funds for the Foundation's programs.

The Foundation will continue to adhere to NYPMIFA's requirements relating to the Foundation's board-designated endowment funds.

Changes in endowment assets during each fiscal year consisted of the following:

	<u>2017</u>	<u>2016</u>
Endowment net assets, beginning of year	<u>\$ 5,729,418</u>	<u>\$ 5,545,979</u>
Investment return:		
Investment income	93,358	87,683
Transfer from unrestricted fund	250,000	250,000
Net appreciation (depreciation) on investments	<u>532,913</u>	<u>(154,244)</u>
Total investment return	<u>876,271</u>	<u>183,439</u>
Endowment net assets, end of year	<u>\$ 6,605,689</u>	<u>\$ 5,729,418</u>

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

Note 8 - Board-designated Endowment Funds (Continued)

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets and assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation within prudent risk constraints.

Note 9 - Donated Facilities, Assets, and Services

Rockefeller Center

In January 2000, a corporate sponsor donated space in Rockefeller Center in New York City to the FDNY and the Foundation, for the development of a fire safety learning center, to be used over a period of ten years. The space is also used for the FDNY Fire Zone retail store. The general purpose of the learning center is to develop a broader understanding of the FDNY's operations, in order to expand public awareness and generate goodwill. To this end, the learning center offers fire safety education exhibits and programs operated and managed by the Foundation in support of the FDNY. The agreement was renewed in January 2010 for another ten years.

The space donated for the learning center was recorded at its estimated fair value. In fiscal years 2017 and 2016, \$416,700 was released from restriction and is reported in the accompanying statements of activities.

Warehouse

The Foundation entered into a license agreement to use space in the FDNY facility. In fiscal years 2017 and 2016, \$38,268 was recorded as both revenue and expense in the accompanying financial statements, respectively. The agreement is in effect through December 31, 2017.

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

Note 9 - Donated Facilities, Assets, and Services (Continued)

FDNY

The Foundation also maintains facilities within the FDNY's headquarters, at no charge. The Foundation reimburses the FDNY for any ancillary expenses incurred through the use of the provided space. The donated space was recorded at its estimated fair value. During fiscal years 2017 and 2016, an amount of \$29,533 was recorded as both revenue and expense in the accompanying statements of activities.

Atlantis Marina and Yacht Club

In July 2011, Atlantis Marina and Yacht Club donated space in its marina. This is to maintain and operate a long trailer as Marine 8's quarters and a boat slip for fireboats and other vessels which provide emergency response capabilities in Raritan Bay, Lower Bay, Arthur Kill and the Atlantic Ocean on a twenty-four hours, seven-days a week basis. The agreement was renewed in July 2016 for another five years.

The space donated at the marina was recorded at its estimated fair value. In fiscal years 2017 and 2016, \$30,000 and \$27,000 were released from restriction and is reported in the accompanying statements of activities.

Public Service Announcements

During fiscal years 2017 and 2016, the Foundation received the benefit of public service announcements ("PSAs") on local television stations. The PSAs were recorded as both revenue and expense in the accompanying statements of activities, based on a fair value of approximately \$1,000,000 in both years.

Educational

During fiscal years 2017 and 2016, the Foundation received various fire prevention items to assist in fire safety awareness. The items have a fair value of \$975,930 and \$1,394,110, respectively, and have been reported as revenue and expense in the accompanying statements of activities.

Other

During fiscal year 2016, the Foundation received various contributed goods such as auction prizes for special events. These goods and services had a fair value of \$25,584 and have been reported as revenue and expense in the accompanying statements of activities.

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

Note 10 - Employee Benefit Plan

The Foundation has an employee benefit plan, as prescribed under U.S. Internal Revenue Code Section 401(k), that covers all eligible employees. All employees who have attained the age of 21 are eligible to participate. Contributions to the 401(k) plan are based on a maximum of 50% on the first 6% of an eligible employee's elective deferral. After reaching six years of service, eligible employees are considered to be 100% vested in employer matching contributions.

During fiscal years 2017 and 2016, the Foundation made matching contributions to the 401(k) plan of \$13,728 and \$13,176, respectively.

Note 11 - Commitments and Contingencies

Lease Commitments

The Foundation occupies office premises under non-cancelable operating leases expiring through December 31, 2021. Two of the leases contains rent escalation clauses.

Future minimum rentals as of June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 298,929
2019	307,327
2020	314,495
2021	321,909
2022	<u>91,392</u>
Total	<u>\$ 1,334,052</u>

Rent expense for fiscal years 2017 and 2016 was \$816,637 and \$799,532, respectively, which included \$514,501 and \$511,501 of donated retail and office space in the fiscal years 2017 and 2016, respectively.

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2017 and 2016

Note 11 - Commitments and Contingencies (Continued)

Government-supported Projects

Government-supported projects are subject to audit by the applicable government granting agencies. At June 30, 2017, there were no material obligations outstanding as a result of such audits, and management believes that any subsequent audits would not result in any material obligations.

Note 12 - Related Party Transactions

The FDNY has authorized the lease rights of the commissary store in the FDNY headquarters lobby to the Foundation. The Foundation originally entered into a lease arrangement with an unrelated contractor to operate the commissary store through September 2006; the agreement was subsequently extended and continues on a month-to-month basis. All amounts received through the lease of the facility are to be used by the Foundation to fund current operations.

During fiscal years 2017 and 2016, the Foundation made grants to the FDNY of \$2,393,000 and \$2,267,311, respectively, for various projects. An amount of \$1,505,727 of approved grants will be paid during fiscal year 2018.

Note 13 - Get Alarmed NYC

In response to a 2015 fire that tragically claimed the lives of seven children, the FDNY Foundation and the FDNY developed an initiative to put more than 100,000 smoke alarms in homes, households and communities with high fire risk. This partnership included the FDNY Foundation and the New York City Council which donated \$1,000,000 and Kidde which donated smoke alarms worth \$1,000,000. A total of 100,000 alarms were purchased and installed by the Red Cross or given away.

Note 14 - Tax Status

The Foundation has been determined by the IRS to be exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code (the "IRC") and has been classified as a publicly supported organization as described in Section 509(a)(1) of the IRC. Accordingly, contributions to the Foundation entitle donors to the maximum charitable contribution deduction allowed under the IRC.