

FDNY FOUNDATION, INC.

Financial Statements

For the Years Ended June 30, 2018 and 2017

The logo for BUCHBINDER features a stylized orange vertical bar on the left side of the letter 'B'. The word 'BUCHBINDER' is written in a dark blue, sans-serif, all-caps font.

FDNY FOUNDATION, INC.
For the Years Ended June 30, 2018 and 2017

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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, 2018 and 2017, 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. 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, 2018 and 2017, 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
January 25, 2019

FDNY FOUNDATION, INC.
Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
ASSETS		
Assets:		
Cash and cash equivalents	\$ 5,468,547	\$ 4,711,664
Pledges receivable, net	942,607	1,278,833
Grants receivable	350,042	383,280
Royalties and other receivables	83,602	78,961
Investments	7,972,828	6,605,689
Inventory	480,928	419,629
Prepaid expenses and other assets	51,134	44,738
Property and equipment, net	326,459	111,976
Total assets	\$ 15,676,147	\$ 13,634,770
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 120,342	\$ 384,952
Grants payable	1,414,683	1,505,727
Deferred revenue	264,317	281,187
Total liabilities	1,799,342	2,171,866
Commitments and contingencies		
Net assets:		
Unrestricted:		
Undesignated	3,487,838	2,838,433
Board-designated endowment	7,972,828	6,605,689
Total unrestricted	11,460,666	9,444,122
Temporarily restricted	2,416,139	2,018,782
Total net assets	13,876,805	11,462,904
Total liabilities and net assets	\$ 15,676,147	\$ 13,634,770

See notes to financial statements.

FDNY FOUNDATION, INC.
Statements of Activities
For the years ended June 30, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenue:						
Contributions and private grants (including in-kind contributions of \$2,096,501 and \$2,193,731 for 2018 and 2017, respectively)	\$ 3,527,955	\$ 1,546,587	\$ 5,074,542	\$ 3,381,737	\$ 1,288,768	\$ 4,670,505
Government grants	147,889	-	147,889	790,016	-	790,016
Special events (net of direct benefit to donors of \$278,116 and \$192,917 for 2018 and 2017, respectively)	2,952,245	-	2,952,245	2,659,383	-	2,659,383
Rental income	-	-	-	3,700	-	3,700
Licensing royalties and commissions	161,045	-	161,045	173,820	-	173,820
Merchandise sales - Fire Zone retail (net of cost of goods sold of \$469,953 and \$559,139 for 2018 and 2017, respectively)	628,653	-	628,653	512,314	-	512,314
Publications	126,908	-	126,908	136,886	-	136,886
Interest and dividends, net	133,627	-	133,627	94,519	-	94,519
Net realized and unrealized gains on investments	360,480	-	360,480	532,913	-	532,913
Document control unit processing	145,256	-	145,256	51,189	-	51,189
Other	216,764	-	216,764	206,280	-	206,280
	<u>8,400,822</u>	<u>1,546,587</u>	<u>9,947,409</u>	<u>8,542,757</u>	<u>1,288,768</u>	<u>9,831,525</u>
Net assets released from restrictions	<u>1,149,230</u>	<u>(1,149,230)</u>	<u>-</u>	<u>1,267,623</u>	<u>(1,267,623)</u>	<u>-</u>
Total public support and revenue	<u>9,550,052</u>	<u>397,357</u>	<u>9,947,409</u>	<u>9,810,380</u>	<u>21,145</u>	<u>9,831,525</u>
Expenses:						
Program services:						
Fire zone educational and retail	1,093,539	-	1,093,539	1,049,784	-	1,049,784
Wellness programs	351,714	-	351,714	350,605	-	350,605
Fire and life safety programs	5,533,304	-	5,533,304	6,557,044	-	6,557,044
Total program services	<u>6,978,557</u>	<u>-</u>	<u>6,978,557</u>	<u>7,957,433</u>	<u>-</u>	<u>7,957,433</u>
Supporting services:						
Management and general	269,992	-	269,992	260,731	-	260,731
Fundraising	284,959	-	284,959	274,407	-	274,407
Total supporting services	<u>554,951</u>	<u>-</u>	<u>554,951</u>	<u>535,138</u>	<u>-</u>	<u>535,138</u>
Total expenses	<u>7,533,508</u>	<u>-</u>	<u>7,533,508</u>	<u>8,492,571</u>	<u>-</u>	<u>8,492,571</u>
Change in net assets	2,016,544	397,357	2,413,901	1,317,809	21,145	1,338,954
Net assets:						
Beginning 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>
End of year	<u>\$ 11,460,666</u>	<u>\$ 2,416,139</u>	<u>\$ 13,876,805</u>	<u>\$ 9,444,122</u>	<u>\$ 2,018,782</u>	<u>\$ 11,462,904</u>

See notes to financial statements.

FDNY FOUNDATION, INC.
Statements of Functional Expenses
For the year ended June 30, 2018
(with summarized totals for June 30, 2017)

	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	2018	2017
Salaries	\$ 148,345	\$ -	\$ 178,057	\$ 326,402	\$ 30,478	\$ 128,888	\$ 159,366	\$ 485,768	\$ 424,236
Payroll taxes and benefits	12,476	-	25,540	38,016	11,903	21,663	33,566	71,582	72,596
Professional fees	-	-	75,946	75,946	68,849	4,000	72,849	148,795	136,922
Counseling services	-	-	132,816	132,816	-	-	-	132,816	60,990
Meeting space rental and related expenses	812	-	38,551	39,363	1,825	68,277	70,102	109,465	105,565
Printing and publications	560	-	16,041	16,601	1,060	29,994	31,054	47,655	36,884
Dues and subscriptions	1,969	-	3,623	5,592	6,229	6,160	12,389	17,981	12,233
Supplies and materials	7,184	1,070	21,608	29,862	5,167	8,229	13,396	43,258	31,030
Advertising and promotion	29,678	-	1,149,971	1,179,649	792	1,356	2,148	1,181,797	1,229,574
Smoke alarms and batteries	-	-	958,529	958,529	-	-	-	958,529	1,479,071
Rent	454,968	298,769	32,582	786,319	33,533	-	33,533	819,852	816,637
Postage, shipping and delivery	51,698	-	7,174	58,872	703	1,507	2,210	61,082	69,848
Grants to Fire Department	-	-	2,219,145	2,219,145	-	-	-	2,219,145	2,393,000
Equipment rental and expense	2,314	-	113,152	115,466	1,393	224	1,617	117,083	68,454
Telephone	5,407	9,176	90	14,673	2,451	-	2,451	17,124	29,973
Repairs and maintenance	86,009	-	1,944	87,953	2,645	323	2,968	90,921	78,583
Communication and internet	19	8,125	309	8,453	250	-	250	8,703	5,581
Bank charges and other fees	26,549	120	14,925	41,594	1,534	13,986	15,520	57,114	52,455
Utilities	-	34,039	-	34,039	500	-	500	34,539	32,800
Travel	599	-	10,681	11,280	20	(2,581)	(2,561)	8,719	21,318
Temporary help	183,449	-	189,942	373,391	68,034	-	68,034	441,425	657,654
Scholarships	-	-	312,440	312,440	-	-	-	312,440	551,575
Other	7,283	415	30,238	37,936	32,626	2,933	35,559	73,495	73,204
Total expenses before depreciation	1,019,319	351,714	5,533,304	6,904,337	269,992	284,959	554,951	7,459,288	8,440,183
Depreciation	74,220	-	-	74,220	-	-	-	74,220	52,388
Total expenses after depreciation	\$ 1,093,539	\$ 351,714	\$ 5,533,304	\$ 6,978,557	\$ 269,992	\$ 284,959	\$ 554,951	\$ 7,533,508	\$ 8,492,571

See notes to financial statements.

FDNY FOUNDATION, INC.
Statements of Functional Expenses (Continued)
For the year ended June 30, 2017

	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
Salaries	\$ 70,317	\$ -	\$ 149,642	\$ 219,959	\$ 49,427	\$ 154,850	\$ 204,277	\$ 424,236
Payroll taxes and benefits	3,597	-	14,824	18,421	51,613	2,562	54,175	72,596
Professional fees	1,066	2,250	62,349	65,665	71,257	-	71,257	136,922
Counseling services	-	-	60,990	60,990	-	-	-	60,990
Meeting space rental and related expenses	557	331	74,484	75,372	129	30,064	30,193	105,565
Printing and publications	4,884	-	1,015	5,899	6,814	24,171	30,985	36,884
Dues and subscriptions	1,472	-	780	2,252	2,185	7,796	9,981	12,233
Supplies and materials	6,529	161	18,700	25,390	1,352	4,288	5,640	31,030
Advertising and promotion	16,862	-	1,211,161	1,228,023	1,425	126	1,551	1,229,574
Smoke alarms and batteries	-	-	1,479,071	1,479,071	-	-	-	1,479,071
Rent	454,968	292,670	35,466	783,104	33,533	-	33,533	816,637
Postage, shipping and delivery	59,246	-	8,390	67,636	1,493	719	2,212	69,848
Grants to Fire Department	-	-	2,393,000	2,393,000	-	-	-	2,393,000
Equipment rental and expense	3,946	-	64,508	68,454	-	-	-	68,454
Telephone	14,590	12,416	130	27,136	2,837	-	2,837	29,973
Repairs and maintenance	77,132	-	850	77,982	250	351	601	78,583
Communication and internet	72	5,259	-	5,331	250	-	250	5,581
Bank charges and other fees	27,839	-	10,521	38,360	3,380	10,715	14,095	52,455
Utilities	-	32,300	-	32,300	500	-	500	32,800
Travel	408	-	20,365	20,773	163	382	545	21,318
Temporary help	244,260	4,803	375,354	624,417	22,681	10,556	33,237	657,654
Scholarships	-	-	551,575	551,575	-	-	-	551,575
Other	9,651	415	23,869	33,935	11,442	27,827	39,269	73,204
Total expenses before depreciation	997,396	350,605	6,557,044	7,905,045	260,731	274,407	535,138	8,440,183
Depreciation	52,388	-	-	52,388	-	-	-	52,388
Total expenses after depreciation	\$ 1,049,784	\$ 350,605	\$ 6,557,044	\$ 7,957,433	\$ 260,731	\$ 274,407	\$ 535,138	\$ 8,492,571
	13%	4%	82%	94%				

See notes to financial statements.

FDNY FOUNDATION, INC.
Statements of Cash Flows
For the years ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 2,413,901	\$ 1,338,954
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated retail facilities	446,700	446,700
Depreciation	74,220	52,388
Net realized and unrealized (gains) on investments	(360,480)	(532,913)
(Increase) decrease in operating assets:		
Pledges receivable	(110,474)	(224,858)
Grants receivable	33,238	142,666
Royalties and other receivables	(4,641)	1,170
Inventory	(61,299)	(16,255)
Prepaid expenses and other assets	(6,396)	550
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(264,610)	282,156
Grants payable	(91,044)	267,253
Deferred revenue	(16,870)	101,877
Net cash provided by operating activities	<u>2,052,245</u>	<u>1,859,688</u>
Cash flows from investing activities:		
(Purchases) of investment securities	(3,836,392)	(1,209,191)
Proceeds from sales of investment securities	2,829,733	865,833
(Purchases) of property assets	(288,703)	(2,860)
Net cash (used in) investing activities	<u>(1,295,362)</u>	<u>(346,218)</u>
Net increase in cash and cash equivalents	756,883	1,513,470
Cash and cash equivalents:		
Beginning of year	<u>4,711,664</u>	<u>3,198,194</u>
End of year	<u>\$ 5,468,547</u>	<u>\$ 4,711,664</u>
Supplemental disclosure of cash flow information:		
Donated facilities and services	<u>\$ 2,096,501</u>	<u>\$ 2,193,731</u>

See notes to financial statements.

FDNY FOUNDATION, INC.
Notes to Financial Statements
June 30, 2018 and 2017

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 support to 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. The FDNY Fire Zone and retail store will be relocating its store front November 2019.

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, 2018 and 2017, the Foundation did not have any permanently restricted net assets.

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

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, 2018 and 2017

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 2018 and 2017, the Foundation wrote off \$-0- and \$50,000, 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 \$38,900 and \$22,600 for fiscal years 2018 and 2017, 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, 2018 and 2017

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, 2018 and 2017

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.

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, 2018, the Foundation's Form 990s for the years 2014 through 2017 remain eligible for examination by the IRS.

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

The Foundation adopted the provisions of the Financial Accounting Standards Board's ("FASB") 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 January 25, 2019, 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, 2018 and 2017

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, 2018 and 2017

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, 2018 and 2017.

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, 2018 and 2017

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, 2018 and 2017:

Investments in securities:

	2018				2017			
	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	\$ 87,236	\$ -	\$ 87,236	\$ -	\$ 89,708	\$ -	\$ 89,708	\$ -
Other	147,391	-	147,391	-	145,974	-	145,974	-
	<u>234,627</u>	<u>-</u>	<u>234,627</u>	<u>-</u>	<u>235,682</u>	<u>-</u>	<u>235,682</u>	<u>-</u>
Equity securities:								
Materials	166,557	166,557	-	-	162,158	162,158	-	-
Consumer goods	113,338	113,338	-	-	192,404	192,404	-	-
Energy limited partnership	22,563	22,563	-	-	-	-	-	-
Financial	285,808	285,808	-	-	402,636	402,636	-	-
Foreign	279,479	279,479	-	-	250,302	250,302	-	-
Health care	279,731	279,731	-	-	359,745	359,745	-	-
Industrials	176,831	176,831	-	-	165,967	165,967	-	-
Services	178,968	178,968	-	-	297,882	297,882	-	-
Technology	473,612	473,612	-	-	500,724	500,724	-	-
Utilities	13,472	13,472	-	-	37,906	37,906	-	-
Other	44,076	44,076	-	-	2,704	2,704	-	-
	<u>2,034,435</u>	<u>2,034,435</u>	<u>-</u>	<u>-</u>	<u>2,372,428</u>	<u>2,372,428</u>	<u>-</u>	<u>-</u>
Mutual funds:								
Emerging markets	226,553	226,553	-	-	189,788	189,788	-	-
Foreign	352,655	352,655	-	-	330,560	330,560	-	-
Blend	798,824	798,824	-	-	465,038	465,038	-	-
Growth	122,450	122,450	-	-	111,772	111,772	-	-
Value	63,260	63,260	-	-	71,549	71,549	-	-
Bonds	2,880,783	2,880,783	-	-	2,333,132	2,333,132	-	-
Other	603,270	603,270	-	-	293,876	293,876	-	-
	<u>5,047,795</u>	<u>5,047,795</u>	<u>-</u>	<u>-</u>	<u>3,795,715</u>	<u>3,795,715</u>	<u>-</u>	<u>-</u>
Money market fund	655,971	-	655,971	-	201,864	-	201,864	-
Total investments	<u>\$ 7,972,828</u>	<u>\$ 7,082,230</u>	<u>\$ 890,598</u>	<u>\$ -</u>	<u>\$ 6,605,689</u>	<u>\$ 6,168,143</u>	<u>\$ 437,546</u>	<u>\$ -</u>

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

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, 2018 and 2017, there were no significant transfers in or out of Levels 1, 2 or 3.

Note 5 - Receivables

Pledges Receivable

At June 30, 2018 and 2017, pledges receivable are due as follows:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 668,946	\$ 628,375
One to five years	<u>304,555</u>	<u>751,254</u>
	973,501	1,379,629
Reduction of pledges due in excess of one year to present value at 2.95% and 2.70% for fiscal years 2018 and 2017, respectively	<u>(30,894)</u>	<u>(100,796)</u>
Total pledges receivable, net	<u>\$ 942,607</u>	<u>\$ 1,278,833</u>

For fiscal years 2018 and 2017, pledges receivable included \$751,254 and \$1,197,954, 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 2018 and 2017.

Receivables from Grants, Royalties and Other Sources

At June 30, 2018 and 2017, 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 2018 and 2017.

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

Note 6 - Property and Equipment

Property assets, stated at cost, consist of the following for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Furniture, fixtures and equipment	\$ 680,817	\$ 407,114
Leasehold improvements	<u>40,304</u>	<u>40,304</u>
	721,121	447,418
Less: accumulated depreciation	<u>394,662</u>	<u>335,442</u>
Net property assets	<u>\$ 326,459</u>	<u>\$ 111,976</u>

Depreciation expense for fiscal years 2018 and 2017 was \$74,220 and \$52,388, respectively.

Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Fire safety learning center	\$ 294,021	\$ 718,373
Family assistance	156,555	154,466
Fire department equipment and apparatus	661,254	446,563
Emergency Medical Services	4,720	1,115
FDNY Counseling Services Unit	115,340	27,182
Scholarships	1,116,332	605,467
Other	<u>67,917</u>	<u>65,616</u>
Temporarily restricted net assets	<u>\$ 2,416,139</u>	<u>\$ 2,018,782</u>

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

Note 7 - Temporarily Restricted Net Assets (Continued)

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

	<u>2018</u>	<u>2017</u>
Fire safety programs	\$ 449,352	\$ 536,180
Family assistance	11,346	49,544
Fire department equipment and apparatus	344,882	70,322
Emergency Medical Services	19,610	14,124
FDNY Counseling Services Unit	-	27,905
Scholarships	312,440	551,316
Other	<u>11,600</u>	<u>18,232</u>
Temporarily restricted net assets	<u>\$ 1,149,230</u>	<u>\$ 1,267,623</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>2018</u>	<u>2017</u>
Endowment net assets, beginning of year	<u>\$ 6,605,689</u>	<u>\$ 5,729,418</u>
Investment return:		
Investment income	133,627	93,358
Transfer from unrestricted fund	772,208	250,000
Stock donation	100,824	-
Net appreciation on investments	<u>360,480</u>	<u>532,913</u>
Total investment return	<u>1,367,139</u>	<u>876,271</u>
Endowment net assets, end of year	<u>\$ 7,972,828</u>	<u>\$ 6,605,689</u>

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

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 2018 and 2017, \$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 2018 and 2017, \$38,268 was recorded as both revenue and expense in the accompanying financial statements, respectively. The agreement is in effect through December 31, 2018.

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

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

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 2018 and 2017, \$30,000 was released from restriction and is reported in the accompanying statements of activities.

Public Service Announcements

During fiscal years 2018 and 2017, 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 2018 and 2017, the Foundation received various fire prevention items to assist in fire safety awareness. The items have a fair value of \$1,028,700 and \$975,930 respectively, and have been reported as revenue and expense in the accompanying statements of activities.

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 2018 and 2017, the Foundation made matching contributions to the 401(k) plan of \$11,612 and \$13,728, respectively.

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

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, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 307,327
2020	314,495
2021	321,909
2022	<u>91,392</u>
Total	<u>\$ 1,035,123</u>

Rent expense for fiscal years 2018 and 2017 was \$819,852 and \$816,637, respectively, which included \$514,083 and \$514,501 of donated retail and office space in the fiscal years 2018 and 2017, respectively.

Government-supported Projects

Government-supported projects are subject to audit by the applicable government granting agencies. At June 30, 2018, 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.

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2018 and 2017

Note 12 - Related Party Transactions (Continued)

During fiscal years 2018 and 2017, the Foundation made grants to the FDNY of \$2,219,145 and \$2,393,000, respectively, for various projects. An amount of \$1,414,683 of approved grants will be paid during fiscal year 2019.

Note 13 - 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.

Note 14 - Subsequent Events

In January 2019, the Foundation entered into a \$2,000,000 line of credit which will be used as working capital for the build out of the new FDNY Foundation retail store. The line of credit is secured by the investments held by the FDNY Foundation.