

FDNY FOUNDATION, INC.

Financial Statements

For the Years Ended June 30, 2019 and 2018

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, 2019 and 2018

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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, 2019 and 2018, 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.

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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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2018, the Organization adopted new accounting guidance, ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to that matter.

Buchbinder Tunick & Company LLP

BUCHBINDER TUNICK & COMPANY LLP

New York, NY
January 30, 2020

FDNY FOUNDATION, INC.
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
ASSETS		
Assets:		
Cash and cash equivalents	\$ 5,463,936	\$ 5,468,547
Pledges receivable, net	5,603,297	942,607
Grants receivable	223,957	350,042
Royalties and other receivables	86,198	83,602
Investments	8,579,149	7,972,828
Inventory	429,907	480,928
Prepaid expenses and other assets	55,184	51,134
Property and equipment, net	940,737	326,459
Total assets	\$ 21,382,365	\$ 15,676,147
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 188,789	\$ 120,342
Grants payable	1,679,475	1,414,683
Deferred revenue	137,389	264,317
Total liabilities	2,005,653	1,799,342
Commitments and contingencies		
Net assets:		
Without donor restrictions:		
Undesignated	3,021,952	3,487,838
Board-designated endowment	8,579,149	7,972,828
Total without donor restrictions	11,601,101	11,460,666
With donor restrictions	7,775,611	2,416,139
Total net assets	19,376,712	13,876,805
Total liabilities and net assets	\$ 21,382,365	\$ 15,676,147

See notes to financial statements.

FDNY FOUNDATION, INC.
Statements of Activities
For the years ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:						
Contributions and private grants (including in-kind contributions of \$8,259,684 and \$2,096,501 for 2019 and 2018, respectively)	\$ 2,962,180	\$ 8,239,566	\$ 11,201,746	\$ 3,527,955	\$ 1,546,587	\$ 5,074,542
Government grants	-	-	-	147,889	-	147,889
Special events (net of direct benefit to donors of \$254,412 and \$278,116 for 2019 and 2018, respectively)	2,280,601	-	2,280,601	2,952,245	-	2,952,245
Licensing royalties and commissions	173,463	-	173,463	161,045	-	161,045
Merchandise sales - Fire Zone retail (net of cost of goods sold of \$547,030 and \$469,953 for 2019 and 2018, respectively)	519,811	-	519,811	628,653	-	628,653
Publications	132,825	-	132,825	126,908	-	126,908
Interest and dividends, net	198,473	-	198,473	133,627	-	133,627
Net realized and unrealized gains on investments	233,444	-	233,444	360,480	-	360,480
Document control unit processing	173,910	-	173,910	145,256	-	145,256
Other	300,595	-	300,595	216,764	-	216,764
	<u>6,975,302</u>	<u>8,239,566</u>	<u>15,214,868</u>	<u>8,400,822</u>	<u>1,546,587</u>	<u>9,947,409</u>
Net assets released from restrictions	<u>2,880,094</u>	<u>(2,880,094)</u>	<u>-</u>	<u>1,149,230</u>	<u>(1,149,230)</u>	<u>-</u>
Total public support and revenue	<u>9,855,396</u>	<u>5,359,472</u>	<u>15,214,868</u>	<u>9,550,052</u>	<u>397,357</u>	<u>9,947,409</u>
Expenses:						
Program services:						
Fire zone educational and retail	1,588,947	-	1,588,947	1,093,539	-	1,093,539
Wellness programs	438,635	-	438,635	351,714	-	351,714
Fire and life safety programs	7,061,043	-	7,061,043	5,533,304	-	5,533,304
Total program services	<u>9,088,625</u>	<u>-</u>	<u>9,088,625</u>	<u>6,978,557</u>	<u>-</u>	<u>6,978,557</u>
Supporting services:						
Management and general	297,320	-	297,320	269,992	-	269,992
Fundraising	329,016	-	329,016	284,959	-	284,959
Total supporting services	<u>626,336</u>	<u>-</u>	<u>626,336</u>	<u>554,951</u>	<u>-</u>	<u>554,951</u>
Total expenses	<u>9,714,961</u>	<u>-</u>	<u>9,714,961</u>	<u>7,533,508</u>	<u>-</u>	<u>7,533,508</u>
Change in net assets	140,435	5,359,472	5,499,907	2,016,544	397,357	2,413,901
Net assets:						
Beginning of year	11,460,666	2,416,139	13,876,805	9,444,122	2,018,782	11,462,904
End of year	<u>\$ 11,601,101</u>	<u>\$ 7,775,611</u>	<u>\$ 19,376,712</u>	<u>\$ 11,460,666</u>	<u>\$ 2,416,139</u>	<u>\$ 13,876,805</u>

See notes to financial statements.

FDNY FOUNDATION, INC.
Statements of Functional Expenses
For the year ended June 30, 2019
(with summarized totals for June 30, 2018)

	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	2019	2018
Salaries	\$ 164,777	\$ -	\$ 152,676	\$ 317,453	\$ 66,663	\$ 164,571	\$ 231,234	\$ 548,687	\$ 485,768
Payroll taxes and benefits	5,905	-	2,206	8,111	56,508	1,723	58,231	66,342	71,582
Professional fees	-	10,575	57,315	67,890	64,021	12,500	76,521	144,411	148,795
Counseling services	-	24,573	104,100	128,673	-	-	-	128,673	132,816
Meeting space rental and related expenses	1,990	-	63,782	65,772	481	72,322	72,803	138,575	109,465
Printing and publications	1,612	-	15,068	16,680	1,430	20,232	21,662	38,342	47,655
Dues and subscriptions	4,561	5,000	3,616	13,177	4,928	3,905	8,833	22,010	17,981
Supplies and materials	6,406	-	16,278	22,684	1,483	919	2,402	25,086	43,258
Advertising and promotion	27,479	-	1,152,100	1,179,579	445	3,383	3,828	1,183,407	1,181,797
Smoke alarms and batteries	-	-	765,074	765,074	-	-	-	765,074	958,529
Rent	896,711	327,511	31,500	1,255,722	33,533	1	33,534	1,289,256	819,852
Postage, shipping and delivery	62,414	-	3,921	66,335	595	1,152	1,747	68,082	61,082
Grants to Fire Department	-	-	2,650,048	2,650,048	-	-	-	2,650,048	2,219,145
Equipment rental and expense	4,284	2,835	552,304	559,423	-	-	-	559,423	117,083
Telephone	-	19,580	45	19,625	3,290	-	3,290	22,915	17,124
Repairs and maintenance	113,319	8,000	-	121,319	250	-	250	121,569	90,921
Communication and internet	-	5,335	-	5,335	250	36	286	5,621	8,703
Bank charges and other fees	31,415	29	10,708	42,152	322	12,848	13,170	55,322	57,114
Utilities	-	30,213	-	30,213	500	-	500	30,713	34,539
Travel	319	-	5,557	5,876	-	836	836	6,712	8,719
Temporary help	172,699	-	261,369	434,068	42,212	-	42,212	476,280	441,425
Support for fallen uniform members	-	-	1,193,760	1,193,760	-	-	-	1,193,760	312,440
Uncollectible pledges	-	-	-	-	-	32,500	32,500	32,500	-
Other	17,012	4,984	19,616	41,612	20,409	2,088	22,497	64,109	73,495
Total expenses before depreciation	1,510,903	438,635	7,061,043	9,010,581	297,320	329,016	626,336	9,636,917	7,459,288
Depreciation	78,044	-	-	78,044	-	-	-	78,044	74,220
Total expenses after depreciation	\$ 1,588,947	\$ 438,635	\$ 7,061,043	\$ 9,088,625	\$ 297,320	\$ 329,016	\$ 626,336	\$ 9,714,961	\$ 7,533,508

See notes to financial statements.

FDNY FOUNDATION, INC.
Statements of Functional Expenses (Continued)
For the year ended June 30, 2018

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

See notes to financial statements.

FDNY FOUNDATION, INC.
Statements of Cash Flows
For the years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 5,499,907	\$ 2,413,901
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated retail facilities	887,588	446,700
Depreciation	78,044	74,220
Net realized and unrealized (gains) on investments	(233,444)	(360,480)
(Increase) decrease in operating assets:		
Pledges receivable	(5,580,778)	(110,474)
Grants receivable	126,085	33,238
Royalties and other receivables	(2,596)	(4,641)
Inventory	51,021	(61,299)
Prepaid expenses and other assets	(4,050)	(6,396)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	68,448	(264,610)
Grants payable	264,792	(91,044)
Deferred revenue	(126,928)	(16,870)
Net cash provided by operating activities	1,028,089	2,052,245
Cash flows from investing activities:		
(Purchases) of investment securities	(1,543,224)	(3,836,392)
Proceeds from sales of investment securities	1,202,845	2,829,733
(Purchases) of property assets	(692,321)	(288,703)
Net cash (used in) investing activities	(1,032,700)	(1,295,362)
Net (decrease) increase in cash and cash equivalents	(4,611)	756,883
Cash and cash equivalents:		
Beginning of year	5,468,547	4,711,664
End of year	\$ 5,463,936	\$ 5,468,547
Supplemental disclosure of cash flow information:		
Donated facilities and services	\$ 8,259,684	\$ 2,096,501

See notes to financial statements.

FDNY FOUNDATION, INC.
Notes to Financial Statements
June 30, 2019 and 2018

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 factors 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 educational 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 various FDNY merchandise for sale to the general public.

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.

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies

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.

Basis of Presentation

The Foundation is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net assets with donor restrictions: net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

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.

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

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 5 for discussion of fair value measurements.

Investment income is reflected in the statements of activities as increases and decreases in net assets without donor restriction 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 use without donor restrictions, 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.

The Foundation reports contributions in the net asset with donor restriction 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, net assets with donor restrictions are reclassified as net assets without donor restriction 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.

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

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. There were no write offs in obsolete inventory during 2019 and 2018.

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 \$21,300 and \$38,900 for fiscal years 2019 and 2018, 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.

Endowment Funds

The Foundation reports all applicable disclosures to its board-designated funds treated as endowments (see note 9). There are no donor-restricted endowment funds.

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.

Government Contracts

Activities arising from government contracts are treated as exchange transactions and, accordingly, revenue without donor restriction is recorded as the related expenses are incurred.

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Donated Goods and Services

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 Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries, payroll taxes and benefits	Time and effort
Professional fees	Purpose of services provided
Meeting space rental and related expenses	Asset usage
Printing, publications, dues and subscriptions	Asset usage
Supplies and materials	Asset usage
Advertising and promotion	Purpose of services provided
Rent and utilities	Asset usage
Postage, shipping and delivery	Time and effort
Telephone, communication and internet	Asset usage
Repairs and maintenance	Purpose of services provided
Bank charges and other fees	Time and effort
Travel	Time and effort
Temporary help	Purpose of services provided
Other	Asset usage

Advertising Costs

Advertising costs are expensed as incurred.

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

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, 2019, the Foundation's Form 990s for the years 2015 through 2018 remain eligible for examination by the IRS.

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.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly.

Subsequent Events

The Foundation has evaluated subsequent events and transactions through January 20, 2020, the date that the financial statements were available to be issued, and has concluded that no additional subsequent events disclosures are required.

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

Note 3 - Availability and Liquidity

The following represents the Foundation's liquid financial assets at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 5,463,936	\$ 5,468,547
Pledges and other receivables, net	5,913,452	1,376,251
Investments	<u>8,579,149</u>	<u>7,972,828</u>
Total financial assets	<u>19,956,537</u>	<u>14,817,626</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	7,775,611	2,416,139
Less net assets with purpose restrictions to be met in less than one year	(587,850)	-
Board-designated endowment	<u>8,579,149</u>	<u>7,972,828</u>
	<u>15,766,910</u>	<u>10,388,967</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 4,189,627</u>	<u>\$ 4,428,659</u>

The FDNY Foundation's intent is generally to maintain financial assets to meet no less than 60 days of operating expenses (approximately \$1,050,000). As part of its liquidity plan, excess cash and cash equivalents is held or invested at the discretion of the Board of Directors.

Note 4 - 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, 2019 and 2018

Note 5 - 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, 2019 and 2018

Note 5 - 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, 2019 and 2018.

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.

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.

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, 2019 and 2018

Note 5 - 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, 2019 and 2018:

Investments in securities:

	2019				2018			
	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	\$ 98,038	\$ -	\$ 98,038	\$ -	\$ 87,236	\$ -	\$ 87,236	\$ -
Other	152,289	-	152,289	-	147,391	-	147,391	-
	<u>250,327</u>	<u>-</u>	<u>250,327</u>	<u>-</u>	<u>234,627</u>	<u>-</u>	<u>234,627</u>	<u>-</u>
Equity securities:								
Materials	141,361	141,361	-	-	166,557	166,557	-	-
Consumer goods	128,179	128,179	-	-	113,338	113,338	-	-
Energy limited partnership	21,621	21,621	-	-	22,563	22,563	-	-
Financial	285,452	285,452	-	-	285,808	285,808	-	-
Foreign	261,670	261,670	-	-	279,479	279,479	-	-
Health care	295,530	295,530	-	-	279,731	279,731	-	-
Industrials	206,269	206,269	-	-	176,831	176,831	-	-
Services	196,507	196,507	-	-	178,968	178,968	-	-
Technology	566,657	566,657	-	-	473,612	473,612	-	-
Utilities	15,651	15,651	-	-	13,472	13,472	-	-
Other	45,505	45,505	-	-	44,076	44,076	-	-
	<u>2,164,402</u>	<u>2,164,402</u>	<u>-</u>	<u>-</u>	<u>2,034,435</u>	<u>2,034,435</u>	<u>-</u>	<u>-</u>
Mutual funds:								
Emerging markets	228,831	228,831	-	-	226,553	226,553	-	-
Foreign	356,353	356,353	-	-	352,655	352,655	-	-
Blend	989,798	989,798	-	-	798,824	798,824	-	-
Growth	141,898	141,898	-	-	122,450	122,450	-	-
Value	-	-	-	-	63,260	63,260	-	-
Bonds	3,247,244	3,247,244	-	-	2,880,783	2,880,783	-	-
Other	390,701	390,701	-	-	603,270	603,270	-	-
	<u>5,354,825</u>	<u>5,354,825</u>	<u>-</u>	<u>-</u>	<u>5,047,795</u>	<u>5,047,795</u>	<u>-</u>	<u>-</u>
Money market fund	809,595	-	809,595	-	655,971	-	655,971	-
Total investments	<u>\$ 8,579,149</u>	<u>\$ 7,519,227</u>	<u>\$ 1,059,922</u>	<u>\$ -</u>	<u>\$ 7,972,828</u>	<u>\$ 7,082,230</u>	<u>\$ 890,598</u>	<u>\$ -</u>

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

Note 5 - 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, 2019 and 2018, there were no significant transfers in or out of Levels 1, 2 or 3.

Note 6 - Receivables

Pledges Receivable

At June 30, 2019 and 2018, pledges receivable are due as follows:

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 1,323,453	\$ 668,946
One to five years	<u>5,031,242</u>	<u>304,555</u>
	6,354,695	973,501
Reduction of pledges due in excess of one year to present value at 2.41% and 2.95% for fiscal years 2019 and 2018, respectively	<u>(751,398)</u>	<u>(30,894)</u>
Total pledges receivable, net	<u>\$ 5,603,297</u>	<u>\$ 942,607</u>

For fiscal years 2019 and 2018, pledges receivable included \$5,742,167 and \$751,254, 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 2019 and 2018.

Receivables from Grants, Royalties and Other Sources

At June 30, 2019 and 2018, 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 2019 and 2018.

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

Note 7 - Property and Equipment

Property assets, stated at cost, consist of the following for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Furniture, fixtures and equipment	\$ 723,497	\$ 680,817
Leasehold improvements	40,304	40,304
Construction in progress	<u>649,642</u>	<u>-</u>
	1,413,443	721,121
Less: accumulated depreciation	<u>472,706</u>	<u>394,662</u>
Net property assets	<u>\$ 940,737</u>	<u>\$ 326,459</u>

Depreciation expense for fiscal years 2019 and 2018 was \$78,044 and \$74,220, respectively.

Note 8 - Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Specific purpose:		
Fire Zone safety learning center	\$ 324,148	\$ 294,021
Family assistance	162,826	156,555
Fire department equipment and apparatus	1,275,741	661,254
Emergency Medical Services	14,485	4,720
FDNY Counseling Services Unit	153,590	115,340
Support for fallen uniform members	340,004	1,116,332
Other	<u>67,204</u>	<u>67,917</u>
Total specific purpose	<u>2,337,998</u>	<u>2,416,139</u>
Passage of time:		
Fire Zone safety learning center:		
Less than one year	587,850	-
One to five years	2,939,250	-
Thereafter	<u>1,910,513</u>	<u>-</u>
Total passage of time	<u>5,437,613</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 7,775,611</u>	<u>\$ 2,416,139</u>

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

Note 8 - Net Assets With Donor Restrictions (Continued)

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

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions:		
Fire Zone safety learning center	\$ 450,760	\$ 449,352
Family assistance	17,096	11,346
Fire department equipment and apparatus	1,171,503	344,882
Emergency Medical Services	8,638	19,610
FDNY Counseling Services Unit	24,572	-
Support for fallen uniform members	1,194,613	312,440
Other	<u>12,912</u>	<u>11,600</u>
Total net assets released from restrictions	<u>\$ 2,880,094</u>	<u>\$ 1,149,230</u>

Note 9 - Board-designated Endowment Funds

The Foundation's endowment funds consist solely of those funds without donor restrictions 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>2019</u>	<u>2018</u>
Endowment net assets, beginning of year	<u>\$ 7,972,828</u>	<u>\$ 6,605,689</u>
Investment return:		
Investment income	198,473	133,627
Transfer from without donor restrictions fund	174,404	772,208
Stock donation	-	100,824
Net appreciation on investments	<u>233,444</u>	<u>360,480</u>
Total investment return	<u>606,321</u>	<u>1,367,139</u>
Endowment net assets, end of year	<u>\$ 8,579,149</u>	<u>\$ 7,972,828</u>

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

Note 9 - 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 10 - Donated Facilities, Assets, and Services

Rockefeller Center

In January 2000, a corporate sponsor donated space in Rockefeller Center in New York City to 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 Fire Zone. 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. 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 an additional ten years. In September 2018, the Foundation entered into a second lease agreement for the newly relocated Fire Zone. The new Fire Zone will not be open to the public until fiscal year 2020. The lease is for a period of ten years.

The space donated for the learning center was recorded at its estimated fair value. In fiscal years 2019 and 2018, \$416,700 was released from restrictions and is reported in the accompanying statements of activities.

The space donated for the new learning center was recorded at its estimated fair value. In fiscal year 2019 \$440,888 was released from restrictions and is reported in the accompanying statements of activities.

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

Note 10 - Donated Facilities, Assets, and Services (Continued)

Warehouse

The Foundation entered into a license agreement to use space in the FDNY facility. In fiscal years 2019 and 2018, \$38,268 was recorded as both revenue and expense, respectively in the accompanying financial statements. The agreement is in effect through December 31, 2019.

Atlantis Marina and Yacht Club

In July 2011, Atlantis Marina and Yacht Club donated space in its marina to maintain and operate a long trailer as Marine 8's headquarters, and a boat slip for fireboats and other vessels which provide emergency response services 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 an additional five years.

The space donated at the marina was recorded at its estimated fair value. In fiscal years 2019 and 2018, \$30,000 was released from restrictions and is reported in the accompanying statements of activities.

Public Service Announcements

During fiscal years 2019 and 2018, 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 2019 and 2018, the Foundation received various fire prevention materiel to assist in fire safety awareness. The materiel have a fair value of \$905,114 and \$1,028,700 respectively, and have been reported as revenue and expense in the accompanying statements of activities.

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

Note 11 - 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 completion of six years of service, eligible employees are considered to be 100% vested in employer matching contributions. During fiscal years 2019 and 2018, the Foundation made matching contributions to the 401(k) plan of \$11,126 and \$11,612, respectively.

Note 12 - Commitments and Contingencies

Lease Commitments

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

Future minimum rentals as of June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 355,710
2021	364,772
2022	<u>91,392</u>
Total	<u>\$ 811,874</u>

Rent expense for fiscal years 2019 and 2018 was \$1,289,256 and \$819,852, respectively, which included \$955,389 and \$514,083 of donated retail and office space in the fiscal years 2019 and 2018, respectively.

Government-supported Projects

Government-supported projects are subject to audit by the applicable government granting agencies. At June 30, 2019, there were no material obligations outstanding as a result of such audits, and management believes that any subsequent audits will not result in any material obligations.

FDNY FOUNDATION, INC.
Notes to Financial Statements (Continued)
June 30, 2019 and 2018

Note 13 - 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 2019 and 2018, the Foundation made grants to the FDNY of \$2,650,048 and \$2,219,145, respectively, for various projects. Approved grants totaling \$1,679,475 will be paid during fiscal year 2020.

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.

Note 15 - Line of Credit

In October 2018, the Foundation obtained a \$2,000,000 line of credit with a financial institution to be used for working capital for the build-out of the new Fire Zone. The line of credit is secured by the investments held by the FDNY Foundation. As of June 30, 2019, the Foundation had not drawn any funds from this line of credit.