

Financial Statements Together with Report of
Independent Certified Public Accountants

**N.Y. POLICE AND FIRE WIDOWS' &
CHILDREN'S BENEFIT FUND, INC.**

December 31, 2017 and 2016

N.Y. POLICE AND FIRE WIDOWS' & CHILDREN'S BENEFIT FUND, INC.

TABLE OF CONTENTS

	Page
Report of Independent Certified Public Accountants	1 - 2
Financial Statements	
Statements of Financial Position as of December 31, 2017 and 2016	3
Statement of Activities for the year ended December 31, 2017	4
Statement of Activities for the year ended December 31, 2016	5
Statements of Cash Flows for the years ended December 31, 2017 and 2016	6
Notes to Financial Statements	7 - 13

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
**N.Y. Police and Fire Widows' &
Children's Benefit Fund, Inc.**

We have audited the accompanying financial statements of the N.Y. Police and Fire Widows' & Children's Benefit Fund, Inc. (the "Fund"), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities 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 Fund'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 Fund'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 the N.Y. Police and Fire Widows' & Children's Benefit Fund, Inc. as of December 31, 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.

Grant Thornton LLP

New York, New York
August 3, 2018

N.Y. POLICE AND FIRE WIDOWS' & CHILDREN'S BENEFIT FUND, INC.
Statements of Financial Position
As of December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 5,426,749	\$ 6,441,379
Investments, at fair value (Note 3)	49,104,145	45,660,857
Contributions receivable	375,350	118,000
Prepaid expenses and other assets	201,133	67,345
Interest and dividends receivable	<u>53,355</u>	<u>44,599</u>
Total assets	<u>\$ 55,160,732</u>	<u>\$ 52,332,180</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accrued expenses and other current liabilities	<u>\$ 114,611</u>	<u>\$ 601,688</u>
Net assets		
Unrestricted	52,981,067	49,615,438
Temporarily restricted	<u>2,065,054</u>	<u>2,115,054</u>
Total net assets	<u>55,046,121</u>	<u>51,730,492</u>
Total liabilities and net assets	<u>\$ 55,160,732</u>	<u>\$ 52,332,180</u>

The accompanying notes are an integral part of these financial statements.

N.Y. POLICE AND FIRE WIDOWS' & CHILDREN'S BENEFIT FUND, INC.
Statement of Activities
For the year ended December 31, 2017

	2017		
	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Contributions - general	\$ 636,520	\$ -	\$ 636,520
Contributions - in-kind (Note 4)	306,796	-	306,796
Dinner, picnic and kickoff event revenue, net of direct costs of \$528,917	2,406,102	-	2,406,102
Interest and dividend income	1,725,686	-	1,725,686
Realized gain on investments	289,986	-	289,986
Unrealized gain on investments	3,025,174	-	3,025,174
Net assets released from restrictions	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>
Total revenues and other support	<u>8,440,264</u>	<u>(50,000)</u>	<u>8,390,264</u>
EXPENSES (Note 5)			
Program service - benefit payments	4,022,000	-	4,022,000
Management and general	424,035	-	424,035
Management and general in-kind (Note 4)	282,796	-	282,796
Dinner in-kind (Note 4)	24,000	-	24,000
Fundraising expense	<u>321,804</u>	<u>-</u>	<u>321,804</u>
Total expenses	<u>5,074,635</u>	<u>-</u>	<u>5,074,635</u>
Change in net assets	3,365,629	(50,000)	3,315,629
Net assets - beginning of year	<u>49,615,438</u>	<u>2,115,054</u>	<u>51,730,492</u>
Net assets - end of year	<u>\$ 52,981,067</u>	<u>\$ 2,065,054</u>	<u>\$ 55,046,121</u>

The accompanying notes are an integral part of this financial statement.

N.Y. POLICE AND FIRE WIDOWS' & CHILDREN'S BENEFIT FUND, INC.
Statement of Activities
For the year ended December 31, 2016

	2016		
	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Contributions - general	\$ 418,506	\$ 2,115,054	\$ 2,533,560
Contributions - in-kind (Note 4)	341,334	-	341,334
Dinner, picnic and kickoff event revenue, net of direct costs of \$495,198	1,957,862	-	1,957,862
Interest and dividend income	1,321,411	-	1,321,411
Realized gain on investments	131,259	-	131,259
Unrealized gain on investments	<u>2,702,151</u>	<u>-</u>	<u>2,702,151</u>
Total revenues and other support	<u>6,872,523</u>	<u>2,115,054</u>	<u>8,987,577</u>
EXPENSES (Note 5)			
Program service - benefit payments	4,351,100	-	4,351,100
Management and general	444,527	-	444,527
Management and general in-kind (Note 4)	311,334	-	311,334
Dinner in-kind (Note 4)	30,000	-	30,000
Fundraising expense	<u>381,741</u>	<u>-</u>	<u>381,741</u>
Total expenses	<u>5,518,702</u>	<u>-</u>	<u>5,518,702</u>
Change in net assets	1,353,821	2,115,054	3,468,875
Net assets - beginning of year	<u>48,261,617</u>	<u>-</u>	<u>48,261,617</u>
Net assets - end of year	<u>\$ 49,615,438</u>	<u>\$ 2,115,054</u>	<u>\$ 51,730,492</u>

The accompanying notes are an integral part of this financial statement.

N.Y. POLICE AND FIRE WIDOWS' & CHILDREN'S BENEFIT FUND, INC.
Statements of Cash Flows
For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,315,629	\$ 3,468,875
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Realized gain on investments	(289,986)	(131,259)
Unrealized gain on investments	(3,025,174)	(2,702,151)
Donated stock	(23,240)	(51,724)
Changes in assets and liabilities		
(Increase) decrease in contributions receivable	(257,350)	97,077
Increase in interest and dividends receivable	(8,757)	(26,805)
Increase in prepaid expenses and other assets	(133,788)	(26,234)
(Decrease) increase in accrued expenses and other current liabilities	<u>(487,077)</u>	<u>303,078</u>
Net cash (used in) provided by operating activities	<u>(909,743)</u>	<u>930,857</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	821,868	2,325,974
Purchase of investments	<u>(926,755)</u>	<u>(2,487,967)</u>
Net cash used in investing activities	<u>(104,887)</u>	<u>(161,993)</u>
Net (decrease) increase in cash and cash equivalents	(1,014,630)	768,864
Cash and cash equivalents at beginning of year	<u>6,441,379</u>	<u>5,672,515</u>
Cash and cash equivalents at end of year	<u>\$ 5,426,749</u>	<u>\$ 6,441,379</u>

The accompanying notes are an integral part of these financial statements.

N.Y. POLICE AND FIRE WIDOWS' & CHILDREN'S BENEFIT FUND, INC.
Notes to Financial Statements
December 31, 2017 and 2016

1. ORGANIZATION

Organization

The N.Y. Police and Fire Widows' & Children's Benefit Fund, Inc. (the "Fund") was established in 1985. The purpose of the Fund is to provide financial assistance to the families of New York City police officers and firefighters who have been killed in the line of duty. After the events of September 11, 2001, the Fund also began to provide financial assistance to the families of Port Authority of New York & New Jersey police officers and New York City emergency medical service personnel killed in the line of duty.

The financial assistance given to the families generally consists of an immediate payment upon death, which is intended to help with any immediate expenses. In addition, the Fund makes an annual distribution to each of the surviving families. The Board of Directors of the Fund determines the amount payable based upon the objectives and performance of the Fund.

The Fund is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Fund is also exempt from New York State corporation and franchise taxes under NYS Tax Commission Regulation Section 1-3.4(b)(6).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Reporting

The Fund's policy is to prepare its financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP") using the accrual basis of accounting. Consequently, certain revenue and related assets are recognized when pledged or earned and certain expenses are recognized when the obligation is incurred.

Accounting for Contributions Received

The Fund records contributions of cash and other assets when an unconditional promise to give is received from a donor. Contributions are recorded at the fair value of the assets received and are classified as either permanently restricted, temporarily restricted or unrestricted, based upon donor-imposed restrictions, if any. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Additionally, the Fund reports donor-imposed restricted contributions whose restrictions are met in the same period as received as unrestricted support, under the principle of simultaneous release from restrictions. As of December 31, 2017 and 2016, the Fund holds \$2,065,054 and \$2,115,054, respectively, of temporarily restricted net assets which must be used to provide certain immediate payments to families upon death.

The Fund reports pledges expected to be collected within one year at their net realizable value. Pledges to be paid to the Fund over a period of years are recorded at the present value of their estimated future cash flows using a credit adjusted rate of return.

Dinner, Picnic and Kickoff Event Revenue

Revenue and expenses relative to the Fund's annual dinner, picnic and kickoff event are recognized upon occurrence of each respective event.

N.Y. POLICE AND FIRE WIDOWS' & CHILDREN'S BENEFIT FUND, INC.
Notes to Financial Statements
December 31, 2017 and 2016

Contributed Services

The Fund receives certain contributed services that meet criteria established by US GAAP for recognition as contributions. Such services are recorded at fair value.

Cash and Cash Equivalents

The Fund considers all highly liquid financial instruments, primarily money market funds, with original maturities of 90 days or less from the date of purchase, to be cash equivalents.

Investments

Marketable securities are recorded at fair value, based upon quoted market prices. Contributed securities to be held are recorded at their quoted market value at the date of contribution. The statement of activities recognizes unrealized gains and losses on investments as increases or decreases, respectively, in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations. Purchase and sale transactions are recorded on trade date basis.

Estimated fair value of the Fund's alternative investment, in the absence of readily ascertainable market values, has been determined by the investment managers and reviewed by management for reasonableness. The Fund's alternative investment, a hedge fund, is generally reported at fair value based on the stated net asset value ("NAV") as reported by the Fund manager. NAV is used as a practical expedient to estimate the fair value of the Fund's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the accompanying financial statements.

Fair Value Measurements

The Fund follows guidance that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of December 31, 2017 and 2016. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

N.Y. POLICE AND FIRE WIDOWS' & CHILDREN'S BENEFIT FUND, INC.
Notes to Financial Statements
December 31, 2017 and 2016

Level 2 - Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of December 31, 2017 and 2016. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3 - Securities that have little to no pricing observability as of December 31, 2017 and 2016. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Fund's perceived risk of that instrument.

All transfers between levels are recognized by the Fund at the end of each reporting period. There were no transfers into and out of each level of the fair value hierarchy for assets measured at fair value for the years ended December 31, 2017 and 2016.

The Fund follows guidance on measuring the fair value of alternative investments, which offers investors a practical expedient for measuring the fair value of investments in certain entities that calculate NAV. Under this practical expedient, entities are permitted to use NAV without adjustment for certain investments which: (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. Additionally, investments measured using the NAV practical expedient are exempt from categorization within the fair value hierarchy and related disclosures. Instead, entities are required to separately disclose the required information for assets measured using the NAV practical expedient. Entities are also required to show the carrying amount of investments measured using the NAV practical expedient as a reconciling item between the total amount of investments categorized within the fair value hierarchy and total investments measured at fair value on the face of the financial statements.

Concentrations of Credit Risk

Financial instruments that potentially subject the Fund to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation limit, and investments. Management does not believe that a significant risk of loss is likely due to the failure of a financial institution the Fund utilizes. Management also believes that its market risk is mitigated by an adequate diversification of its investments.

N.Y. POLICE AND FIRE WIDOWS' & CHILDREN'S BENEFIT FUND, INC.
Notes to Financial Statements
December 31, 2017 and 2016

Use of Estimates

The preparation of financial statements in conformity with US GAAP 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Taxes

The Fund recognizes the tax effects from an uncertain tax position in the financial statements only if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. Management determined that there are no uncertain tax positions within its financial statements.

3. INVESTMENTS

The following sets forth the cost and fair value of investments held as of December 31, 2017 and 2016:

Investments	2017		2016	
	Fair Value	Cost	Fair Value	Cost
Mutual funds	\$ 46,383,564	\$ 43,902,870	\$ 42,970,965	\$ 43,457,758
Hedge fund	2,697,644	2,252,335	2,636,631	2,252,335
Equities	22,937	22,718	53,261	49,716
	<u>\$ 49,104,145</u>	<u>\$ 46,177,923</u>	<u>\$ 45,660,857</u>	<u>\$ 45,759,809</u>

The following tables set forth by level, within the fair value hierarchy, the Fund's investments at fair value as of December 31, 2017 and 2016:

	2017			2016		
	Total	Level 1	NAV	Total	Level 1	NAV
Mutual funds	\$ 46,383,564	\$ 46,383,564	\$ -	\$ 42,970,965	\$ 42,970,965	\$ -
Equities	22,937	22,937	-	53,261	53,261	-
Hedge fund	<u>2,697,644</u>	<u>-</u>	<u>2,697,644</u>	<u>2,636,631</u>	<u>-</u>	<u>2,636,631</u>
Total	<u>\$ 49,104,145</u>	<u>\$ 46,406,501</u>	<u>\$ 2,697,644</u>	<u>\$ 45,660,857</u>	<u>\$ 43,024,226</u>	<u>\$ 2,636,631</u>

N.Y. POLICE AND FIRE WIDOWS' & CHILDREN'S BENEFIT FUND, INC.
Notes to Financial Statements
December 31, 2017 and 2016

Fair Value of Investments in Entities that Use NAV

The following table summarizes investments measured at fair value based on NAV per share as of December 31, 2017 and 2016.

	<u>2017</u> <u>Fair Value</u>	<u>2016</u> <u>Fair Value</u>	<u>Redemption</u> <u>Frequency</u>	<u>Redemption</u> <u>Notice Period</u>
Hedge fund ^(a)	<u>\$ 2,697,644</u>	<u>\$ 2,636,631</u>	Daily	1 day

^(a) The hedge fund's objective is to seek long-term capital appreciation. The hedge fund, being a fund of futures funds will use a range of trading and investment strategies with the aim of producing long-term returns. The markets traded will include bonds, money markets, foreign exchange markets and commodity markets. The hedge fund is an open-end fund.

4. IN-KIND SERVICES

Weil, Gotshal & Manges LLP, a related party, provided legal and office services to the Fund valued at approximately \$107,000 in 2017 and \$129,000 in 2016.

Geller & Company LLC, a related party, contributed to the Fund accounting services of approximately \$157,000 and \$158,000 in 2017 and 2016, respectively.

In-kind services are reflected as contributions and expenses in the accompanying statements of activities.

For the years ended December 31, 2017 and 2016, total in-kind contributions consisted of the following:

	<u>2017</u>	<u>2016</u>
Legal	\$ 107,206	\$ 113,797
Accounting	157,390	157,537
Moving	18,200	25,000
Office services	-	15,000
Total management and general in-kind	<u>282,796</u>	<u>311,334</u>
Event planning	<u>24,000</u>	<u>30,000</u>
Total dinner in-kind	<u>24,000</u>	<u>30,000</u>
Total in-kind contributions	<u>\$ 306,796</u>	<u>\$ 341,334</u>

N.Y. POLICE AND FIRE WIDOWS' & CHILDREN'S BENEFIT FUND, INC.
Notes to Financial Statements
December 31, 2017 and 2016

5. FUNCTIONAL EXPENSES

For the year ended December 31, 2017, functional expenses were comprised of the following:

	Program Service Benefit Payments	Management and General	Management and General In-Kind	Dinner In-Kind	Fundraising	Total
Benefit payments	\$ 4,022,000	\$ -	\$ -	\$ -	\$ -	\$ 4,022,000
Audit and tax fees	-	60,940	-	-	-	60,940
Other professional fees	-	969	-	-	59,037	60,006
Printing and publications	-	8,846	-	-	-	8,846
Insurance	-	51,354	-	-	-	51,354
Office expenses	-	200,095	-	-	-	200,095
Travel and entertainment	-	6,986	-	-	-	6,986
Salaries and payroll taxes	-	63,204	-	-	252,814	316,018
State registration fees	-	2,600	-	-	-	2,600
Bank services	-	26,956	-	-	-	26,956
Marketing	-	-	-	-	9,953	9,953
Miscellaneous	-	2,085	-	-	-	2,085
Dinner in-kind	-	-	-	24,000	-	24,000
Management and general in-kind	-	-	282,796	-	-	282,796
	<u>\$ 4,022,000</u>	<u>\$ 424,035</u>	<u>\$ 282,796</u>	<u>\$ 24,000</u>	<u>\$ 321,804</u>	<u>\$ 5,074,635</u>

For the year ended December 31, 2016, functional expenses were comprised of the following:

	Program Service Benefit Payments	Management and General	Management and General In-Kind	Dinner In-Kind	Fundraising	Total
Benefit payments	\$ 4,351,100	\$ -	\$ -	\$ -	\$ -	\$ 4,351,100
Audit and tax fees	-	58,990	-	-	-	58,990
Other professional fees	-	-	-	-	92,974	92,974
Printing and publications	-	10,720	-	-	-	10,720
Insurance	-	57,623	-	-	-	57,623
Office expenses	-	208,313	-	-	-	208,313
Travel and entertainment	-	4,343	-	-	-	4,343
Salaries and payroll taxes	-	69,833	-	-	279,334	349,167
State registration fees	-	2,075	-	-	-	2,075
Bank services	-	30,015	-	-	-	30,015
Marketing	-	-	-	-	9,433	9,433
Miscellaneous	-	2,615	-	-	-	2,615
Dinner in-kind	-	-	-	30,000	-	30,000
Management and general in-kind	-	-	311,334	-	-	311,334
	<u>\$ 4,351,100</u>	<u>\$ 444,527</u>	<u>\$ 311,334</u>	<u>\$ 30,000</u>	<u>\$ 381,741</u>	<u>\$ 5,518,702</u>

N.Y. POLICE AND FIRE WIDOWS' & CHILDREN'S BENEFIT FUND, INC.
Notes to Financial Statements
December 31, 2017 and 2016

6. EMPLOYEE BENEFIT PLAN

The Fund sponsors a 403(b) plan. Employees may elect to have pretax employee contributions made to their accounts not to exceed federal allowable limits. The Fund plans to make Safe Harbor nonelective contributions to the 403(b) plan equal to 5% of a participant's eligible compensation. Total pension expense under this 403(b) plan for 2017 and 2016 totaled approximately \$14,000 and \$15,000, respectively. Participants are immediately vested in their employee-contributed account balance and in the employer's contribution portion and all earnings thereon.

7. RELATED PARTY TRANSACTIONS

See Note 4 for related party in-kind contributions.

8. COMMITMENTS

The Fund entered into a non-cancelable operating lease for office space commencing on June 1, 2015, which expired on June 30, 2018. The lease was subsequently amended and now terminates on October 31, 2023.

The following is a schedule, by years, of future minimum payments required under the amended operating lease as of December 31, 2017:

Required Minimum Payments

2018	\$	105,455
2019		158,182
2020		158,182
2021		158,182
2022		158,182
Thereafter		<u>131,819</u>
	\$	<u>870,002</u>

9. SUBSEQUENT EVENTS

Management of the Fund has evaluated events or transactions that have occurred since December 31, 2017 through August 3, 2018, the date the financial statements were available for issuance. Management has determined that there are no other material events that would require recognition or disclosure in the Fund's financial statements.