

Stephen Siller Tunnel to Towers Foundation

Financial Statements

December 31, 2018 and 2017

(With Independent Auditor's Report Thereon)



*Navigating the Road
to
Financial Security*

Stephen Siller Tunnel to Towers Foundation

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DeSantis
Kiefer
Shall &
Sarcone
LLP

*Navigating the Road
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Independent Auditor's Report

Board of Directors
Stephen Siller Tunnel to Towers Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Stephen Siller Tunnel to Towers Foundation, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, cash flows and functional expenses 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

(1)

1675 Richmond Road
Staten Island, NY 10304

10 East 39th Street
New York, NY 10016

Tel: 718-351-2233 / 888-417-6679

www.dkscpa.com

Fax: 718-979-2435

Stephen Siller Tunnel to Towers Foundation

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 Stephen Siller Tunnel to Towers Foundation as of December 31, 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.

De Santis, Kiefer, Shale & Sarcone LLP

Staten Island, New York

May 9, 2019

Stephen Siller Tunnel to Towers Foundation

Statements of Financial Position December 31, 2018 and 2017

Assets

	<u>2018</u>	<u>2017</u>
Current Assets:		
Cash and Cash Equivalents	\$ 4,581,023	\$ 3,731,819
Contributions Receivable	5,933	175,900
Prepaid Expenses	84,025	125,880
Restricted Cash	3,285,943	2,745,865
Total Current Assets	7,956,924	6,779,464
Fixed Assets:		
Fixed Assets - Net of Accumulated Depreciation	596,325	640,153
Other Assets:		
Endowment - Investments	463,016	473,554
Endowment - Cash	1,017,855	
Other Assets - Net of Accumulated Amortization	134,427	46,022
Security Deposit	27,743	16,013
Total Other Assets	1,643,041	535,589
 Total Assets	 \$ 10,196,290	 \$ 7,955,206
 <u>Liabilities and Net Assets</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 374,707	\$ 139,739
Current Portion of Capital Lease Payable		35,562
Total Current Liabilities	374,707	175,301
 Total Liabilities	 374,707	 175,301
Net Assets:		
Without Donor Restrictions		
Undesignated	5,054,769	4,379,993
Designated by the Board for Endowment	1,480,871	478,147
Total Without Donor Restrictions	6,535,640	4,858,140
With Donor Restrictions		
Purpose Restrictions	3,285,943	2,921,765
Total Net Assets	9,821,583	7,779,905
 Total Liabilities and Net Assets	 \$ 10,196,290	 \$ 7,955,206

Stephen Siller Tunnel to Towers Foundation

Statement of Activities for the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue:			
Support:			
Direct Public Support	\$ 12,364,557	\$ 1,648,936	\$ 14,013,493
In-Kind Donations	8,343,491	1,637,007	9,980,498
Net Assets Released from Restriction	<u>2,921,765</u>	<u>(2,921,765)</u>	
Total Support	<u>23,629,813</u>	<u>364,178</u>	<u>23,993,991</u>
Revenue:			
Tunnel to Towers Run	1,969,718		1,969,718
Runs Across America	1,287,136		1,287,136
In the Line of Duty	1,143,038		1,143,038
Stair Climb	412,820		412,820
Special Event Revenue - Gala	\$ 3,780,639		
Less: Direct Cost of Benefit to Donors	<u>561,771</u>		
Net Special Event Revenue	3,218,868		3,218,868
Fundraising Revenue	836,330		836,330
Interest Income	10,758		10,758
Net Investment Return	<u>(15,853)</u>		<u>(15,853)</u>
Total Revenue	<u>8,862,815</u>		<u>8,862,815</u>
Total Support and Revenue	<u>32,492,628</u>	<u>364,178</u>	<u>32,856,806</u>
Expenses:			
Program Services			
Never Forget	10,216,225		10,216,225
In the Line of Duty	<u>18,530,282</u>		<u>18,530,282</u>
Total Program Services	28,746,507		28,746,507
Fundraising	1,565,564		1,565,564
Management and General	<u>503,057</u>		<u>503,057</u>
Total Expenses	<u>30,815,128</u>		<u>30,815,128</u>
	<u>1,677,500</u>	<u>364,178</u>	<u>2,041,678</u>
Change in Net Assets	1,677,500	364,178	2,041,678
Net Assets, Beginning of Year	<u>4,858,140</u>	<u>2,921,765</u>	<u>7,779,905</u>
Net Assets, End of Year	<u>\$ 6,535,640</u>	<u>\$ 3,285,943</u>	<u>\$ 9,821,583</u>

Stephen Siller Tunnel to Towers Foundation

Statement of Activities for the Year Ended December 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue:			
Support:			
Direct Public Support	\$ 9,052,445	\$ 1,365,168	\$ 10,417,613
In-Kind Donations	4,512,607	1,556,597	6,069,204
Net Assets Released from Restriction	<u>2,170,821</u>	<u>(2,170,821)</u>	
Total Support	<u>15,735,873</u>	<u>750,944</u>	<u>16,486,817</u>
Revenue:			
Tunnel to Towers Run	1,950,195		1,950,195
Runs Across America	969,210		969,210
In the Line of Duty	911,522		911,522
Stair Climb	591,468		591,468
Special Event Revenue - Gala	\$ 512,768		
Less: Direct Cost of Benefit to Donors	<u>187,058</u>		
Net Special Event Revenue	325,710		325,710
Fundraising Revenue	767,038		767,038
Interest Income	9,010		9,010
Net Investment Return	30,398		30,398
Other Revenue	<u>15,237</u>		<u>15,237</u>
Total Revenue	<u>5,569,788</u>		<u>5,569,788</u>
Total Support and Revenue	<u>21,305,661</u>	<u>750,944</u>	<u>22,056,605</u>
Expenses:			
Program Services			
Never Forget	8,770,226		8,770,226
In the Line of Duty	<u>9,556,368</u>		<u>9,556,368</u>
Total Program Services	18,326,594		18,326,594
Fundraising	1,097,860		1,097,860
Management and General	<u>500,633</u>		<u>500,633</u>
Total Expenses	<u>19,925,087</u>		<u>19,925,087</u>
Change in Net Assets	1,380,574	750,944	2,131,518
Net Assets, Beginning of Year	<u>3,477,566</u>	<u>2,170,821</u>	<u>5,648,387</u>
Net Assets, End of Year	<u>\$ 4,858,140</u>	<u>\$ 2,921,765</u>	<u>\$ 7,779,905</u>

Stephen Siller Tunnel to Towers Foundation

Statements of Cash Flows for the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Change in Net Assets	<u>\$ 2,041,678</u>	<u>\$ 2,131,518</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation and Amortization	147,672	150,502
Loss on Disposal of Asset		4,946
Unrealized Loss (Gain) on Investment	15,853	(23,493)
(Increase) Decrease in Operating Assets		
Accounts Receivable	169,967	(175,900)
Prepaid Expense	41,855	(80,151)
Security Deposit	(11,730)	(6,013)
Increase (Decrease) in Operating Liabilities		
Accounts Payable and Accrued Expenses	<u>234,968</u>	<u>(98,587)</u>
Total Adjustments	<u>598,585</u>	<u>(228,696)</u>
Net Cash Provided By Operating Activities	<u>2,640,263</u>	<u>1,902,822</u>
Cash Flows from Investing Activities:		
Purchase of Investments	(1,023,170)	(450,061)
Purchase of Fixed Assets	(88,864)	(120,600)
Purchase of Other Assets	<u>(103,385)</u>	<u></u>
Net Cash Used In Investing Activities	<u>(1,215,419)</u>	<u>(570,661)</u>
Cash Flows from Financing Activities		
Payment of Capital Lease Payable	<u>(35,562)</u>	<u>(48,684)</u>
Net Cash Used In Financing Activities	<u>(35,562)</u>	<u>(48,684)</u>
Net Increase in Cash, Cash Equivalents, and Restricted Cash	1,389,282	1,283,477
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>6,477,684</u>	<u>5,194,207</u>
Cash, Cash Equivalents, and Restricted Cash - End of Year	<u><u>\$ 7,866,966</u></u>	<u><u>\$ 6,477,684</u></u>
Supplemental Cash Flow Information:		
Cash Paid for Interest	<u><u>\$ 72</u></u>	<u><u>\$ 6,984</u></u>

Stephen Siller Tunnel to Towers Foundation

Statement of Functional Expenses for the Year Ended December 31, 2018

	<u>Program Services</u>			<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
	<u>Never Forget</u>	<u>In the Line of Duty</u>	<u>Total Program Services</u>			
Salaries	\$ 897,261	\$ 1,233,215	\$ 2,130,476	\$ 481,847	\$ 302,601	\$ 2,914,924
Payroll Taxes and Benefits	246,420	333,788	580,208	125,471	58,832	764,511
Total Salaries and Payroll Taxes and Benefits	1,143,681	1,567,003	2,710,684	607,318	361,433	3,679,435
Advertising and Marketing	5,247,243	3,336,336	8,583,579	40,329	29,082	8,652,990
Bank Charges	106,987	14,160	121,147	26,368	8,818	156,333
Building Maintenance	30,290	9,809	40,099	3,534	3,028	46,661
Computer Expense	31,413	52,691	84,104	21,482	10,596	116,182
Consultants and Contractors	265,345	165,388	430,733	48,454	3,757	482,944
Utilities	15,271	20,800	36,071	8,198	5,402	49,671
Event Production	75,125	18,191	93,316	42,490		135,806
Food	91,045	14,321	105,366	1,564	40	106,970
Insurance	42,830	71,128	113,958	15,622	7,043	136,623
Meetings	35,583	25,517	61,100	12,587	2,744	76,431
Postage	12,291	13,525	25,816	4,630	2,597	33,043
Professional Services	215,629	235,153	450,782	30,247	10,864	491,893
Rent	63,467	84,863	148,330	28,150	20,893	197,373
Storage	3,310	7,849	11,159	1,319	875	13,353
Supplies	181,058	55,226	236,284	47,923	15,456	299,663
Telephone	3,860	5,416	9,276	2,017	1,354	12,647
Equipment	218,569		218,569			218,569
Taxes and Permits	17,397	57,011	74,408	1,028	7,863	83,299
Travel	434,791	257,930	692,721	107,255	3,683	803,659
Venue	194,501		194,501	451,655		646,156
Donations	658,122	3,260,323	3,918,445	1,347	39	3,919,831
New York City Run Costs	434,629	16,252	450,881	52,037	2,840	505,758
Outreach and PSA's	179,789	359,578	539,367	5,366	6	544,739
In the Line of Duty - Smart Homes	414,408	6,239,743	6,654,151			6,654,151
In the Line of Duty - GoldStar Homes		2,603,204	2,603,204			2,603,204
Interest	72		72			72
Amortization		14,980	14,980			14,980
Depreciation	99,519	23,885	123,404	4,644	4,644	132,692
	<u>\$ 10,216,225</u>	<u>\$ 18,530,282</u>	<u>\$ 28,746,507</u>	<u>\$ 1,565,564</u>	<u>\$ 503,057</u>	<u>\$ 30,815,128</u>

Stephen Siller Tunnel to Towers Foundation

Statement of Functional Expenses for the Year Ended December 31, 2017

	Program Services			<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
	<u>Never Forget</u>	<u>In the Line of Duty</u>	<u>Total Program Services</u>			
Salaries	\$ 652,701	\$ 828,322	\$ 1,481,023	\$ 309,240	\$ 256,105	\$ 2,046,368
Payroll Taxes and Benefits	147,925	226,012	373,937	73,001	76,281	523,219
Total Salaries and Payroll Taxes and Benefits	800,626	1,054,334	1,854,960	382,241	332,386	2,569,587
Advertising and Marketing	2,971,159	37,651	3,008,810	47,465	10,744	3,067,019
Bank Charges	109,022	7,330	116,352	12,086	5,621	134,059
Building Maintenance	7,820	7,959	15,779	2,609	2,477	20,865
Computer Expense	35,500	35,364	70,864	11,682	9,914	92,460
Consultants and Contractors	273,211	74,664	347,875	35,024	257	383,156
Utilities	4,068	5,504	9,572	1,757	1,646	12,975
Event Production	85,291		85,291	140,029	4,071	229,391
Food	117,810	32,862	150,672	1,744	26	152,442
Insurance	22,612	31,263	53,875	8,186	15,780	77,841
Meetings	23,299	14,932	38,231	6,335	2,040	46,606
Other Expense					6,279	6,279
Postage	12,207	9,328	21,535	3,580	2,021	27,136
Professional Services	216,962	88,057	305,019	1,153	30,558	336,730
Rent	60,181	75,528	135,709	23,898	22,113	181,720
Storage	1,751	10,919	12,670	722	1,136	14,528
Supplies	41,303	73,848	115,151	14,598	30,091	159,840
Telephone	3,619	4,806	8,425	1,583	1,477	11,485
Equipment	221,904	2,549	224,453			224,453
Taxes and Permits	15,328	45,746	61,074	107	6,367	67,548
Travel	298,190	121,675	419,865	38,782	10,375	469,022
Venue	75,573		75,573	359,025		434,598
Donations	2,684,812		2,684,812			2,684,812
New York City Run Costs	568,408		568,408			568,408
In the Line of Duty - Smart Homes		7,794,641	7,794,641			7,794,641
Interest	6,984		6,984			6,984
Amortization		387	387			387
Depreciation	112,586	27,021	139,607	5,254	5,254	150,115
	<u>\$ 8,770,226</u>	<u>\$ 9,556,368</u>	<u>\$ 18,326,594</u>	<u>\$ 1,097,860</u>	<u>\$ 500,633</u>	<u>\$ 19,925,087</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

Stephen Siller Tunnel to Towers Foundation

Notes to Financial Statements
December 31, 2018 and 2017

1. Nature of Activities

The Stephen Siller Tunnel to Towers Foundation (herein referred to as the “Foundation”) is a not-for-profit corporation that was established to support, recognize, and advocate for our first responders and catastrophically injured service members in honor of the legacy of Stephen Siller, who laid down his life to save others on September 11, 2001.

The Foundation accomplishes this mission through the following programs:

IN THE LINE OF DUTY PROGRAMS:

- 1) **Smart Homes:** *Smart Homes* program constructs custom, specially adapted Smart Homes for catastrophically injured service members returning home to restore their ability to live a life of independence.
- 2) **Fallen First Responder Home Program:** The Foundation pays off the remaining mortgage for families left behind when a firefighter or police officer is killed in the line of duty on a case-by-case basis.
- 3) **Gold Star Home Program:** This program provides mortgage-free homes to Gold Star families with young children of military who have died in the line of duty and have made the ultimate sacrifice.

NEVER FORGET PROGRAMS:

- 1) **National Tunnel to Towers Runs and Stair Climb Series:** The New York City 5K Run and Walk and the Tower Climb as well as the National Runs and Climbs are memorial events held in honor of Stephen Siller (FDNY), and all who perished on 9/11, as well as First Responders and military who have and continue to put their lives on the line to serve and protect our nation. The Foundation has established these memorial events so as a nation *We Will Never Forget!*
- 2) **9/11 Never Forget Exhibit:** Host a traveling exhibit as a tribute to all those who sacrificed on September 11, 2001. The memorial provides interactive education including: artifacts, news and video recordings, and live tours from FDNY heroes. The Foundation is committed to ensuring We Never Forget and that America’s youth understand the sacrifice of many on that day.
- 3) **Wings of a Hero:** To help local community children in need who have lost a parent by providing assistance for school, counseling or other needs.
- 4) **Legacy Awards:** To assist families of injured or fallen first responders with their specific immediate financial needs.

Stephen Siller Tunnel to Towers Foundation

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies

Method of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Property, Equipment and Depreciation

Acquisitions of property and equipment are recorded at the purchase price. Contributions of land, buildings and equipment are recorded at fair market value when title is conveyed.

Depreciation of property and equipment is recognized over the estimated useful lives of the respective assets on a straight-line basis as follows:

Buildings	3 Years
Building Improvements	5 to 10 Years
Furniture, Fixtures and Equipment	3 to 5 Years

Investments

Investments are recorded at their fair values in the statement of financial position. Investment return is reported in the statement of activities and consists of interest and dividend income and realized and unrealized capital gains and losses.

Stephen Siller Tunnel to Towers Foundation

Notes to Financial Statements
December 31, 2018 and 2017

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Foundation reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Stephen Siller Tunnel to Towers Foundation

Notes to Financial Statements
December 31, 2018 and 2017

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, or an unconditional promise to give are received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

In-Kind Donations

The Foundation receives donations of supplies, equipment, gift cards and advertising for their various programs and fundraisers. These donations are recorded at their fair market value at the time of the donation. In-kind donations for the year ended December 31, 2018 totaled \$5,195,564 for Never Forget, \$4,754,535 for In the Line of Duty, and \$30,399 for fundraising events. In-kind donations for the year ended December 31, 2017 totaled \$3,548,064 for Never Forget, \$2,504,345 for In the Line of Duty, and \$16,795 for fundraising events.

Contributed Services

A significant portion of the Foundation's functions is conducted by unpaid volunteers. The value of this contributed time is not reflected in the accompanying financial statements because the criteria for recognition under the FASB codification topic that addresses "Contributed Services" have not been met. This criterion requires that contributions of donated services be material in nature, that they create or enhance non-financial assets, or that they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Interest Income

Income generated from the Foundation's interest-bearing bank accounts is recognized when earned and reported as interest income on the Statement of Activities.

Stephen Siller Tunnel to Towers Foundation

Notes to Financial Statements
December 31, 2018 and 2017

Advertising Expenses

Marketing and advertising costs are expensed as incurred.

In 2018, the Foundation received in-kind donations of advertising for the Tunnel to Towers Run and Stair Climb, valued in total at \$5,097,616. It also received in-kind donations of advertising for its In the Line of Duty program, valued in total at \$3,221,465. The Foundation spent an additional \$333,909 on advertising and marketing. Total advertising and marketing expense for the year ended December 31, 2018 was \$8,652,990.

In 2017, the Foundation received in-kind donations of advertising for the Tunnel to Towers Run and Stair Climb, valued in total at \$2,917,865. The Foundation spent an additional \$149,154 on advertising and marketing. Total advertising and marketing expense for the year ended December 31, 2017 was \$3,067,019.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program and supporting service are allocated directly according to their expenditure classification. Other costs that are common to several functions are allocated among the programs and supporting services in reasonable ratios as determined by management.

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation represents that, to the best of its knowledge, the tax-exempt status is still in effect at December 31, 2018.

The Foundation is subject to the provisions of the FASB ASC that addresses accounting and reporting for uncertainty in income taxes. Because of the Foundation's general tax-exempt status, this ASC topic has not had, and is not expected to have, a material impact on its financial statements.

Stephen Siller Tunnel to Towers Foundation

Notes to Financial Statements
December 31, 2018 and 2017

Financial Instruments and Credit Risk

The Foundation manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Foundation has not experienced losses in any of these accounts.

Investments are made by diversified investment managers whose performance is monitored by the Foundation. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management believes that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (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 implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

Subsequent Events

The Foundation has evaluated subsequent events through May 9, 2019, the date the financial statements were available to be issued and has determined that there are no reportable subsequent events or transactions that need to be disclosed in these financial statements.

Stephen Siller Tunnel to Towers Foundation

Notes to Financial Statements
December 31, 2018 and 2017

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2018</u>	<u>2017</u>
Total financial assets	\$9,353,770	\$7,127,138
Donor-imposed restrictions:		
Funds subject to purpose restrictions	<u>(3,285,943)</u>	<u>(2,921,765)</u>
Net financial assets after donor-imposed restrictions	6,067,827	4,205,373
Less:		
Board-designated funds	<u>(1,480,871)</u>	<u>(478,147)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$4,586,956</u>	<u>\$3,727,226</u>

The Foundation receives significant contributions restricted by donors. The Foundation manages its liquidity and reserves by operating within a prudent range of financial soundness and stability, maintaining adequate liquid reserves to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

4. Cash, Cash Equivalents, and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows:

	<u>2018</u>	<u>2017</u>
Cash and Cash Equivalents	\$4,581,023	\$3,731,819
Restricted Cash	<u>3,285,943</u>	<u>2,745,865</u>
Total Cash, Cash Equivalents, and Restricted Cash Shown in the Statement of Cash Flows	<u>\$7,866,966</u>	<u>\$6,477,684</u>

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Notes to Financial Statements
December 31, 2018 and 2017

5. Fair Value of Investments

The Foundation reports its investments at their fair values, in the following manner:

- Requiring consideration of non-performance risk when valuing liabilities;
- Defining fair value as 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 and establishing a framework for measuring fair values; and
- Establishing a three-level hierarchy for fair-value measurement based upon the observability of inputs to the evaluation of an asset or liability as of the measurement date.

The three-level valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value levels:

- Level 1 – quoted prices for *identical* instruments in active markets;
- Level 2 – quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and mode-derived valuations for which the significant inputs are observable; and
- Level 3 – instruments for which the significant inputs are *unobservable*.

The Foundation's investment assets are classified within Level 1 because they comprise mutual funds and exchanges traded funds with readily determinable fair values based on daily redemption values.

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Notes to Financial Statements December 31, 2018 and 2017

The following table presents investments measured at fair value at December 31, 2018 and 2017:

December 31, 2018

	<u>Total</u>	<u>Fair Value Measurement at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Asset (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual Funds	\$ 14,944	\$ 14,944	\$ 0	\$ 0
Exchange-Traded Funds	<u>448,072</u>	<u>448,072</u>	<u>0</u>	<u>0</u>
Total	<u>\$463,016</u>	<u>\$463,016</u>	<u>\$ 0</u>	<u>\$ 0</u>

December 31, 2017

	<u>Total</u>	<u>Fair Value Measurement at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Asset (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual Funds	\$15,386	\$15,386	\$ 0	\$ 0
Exchange-Traded Funds	<u>458,168</u>	<u>458,168</u>	<u>0</u>	<u>0</u>
Total	<u>\$473,554</u>	<u>\$473,554</u>	<u>\$ 0</u>	<u>\$ 0</u>

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Notes to Financial Statements
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6. Fixed Assets

The summary of fixed assets at December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Building Improvements	\$ 409,711	\$ 362,788
Automobile	189,882	147,941
Equipment	337,291	337,291
Asset under Capital Lease	<u>210,000</u>	<u>210,000</u>
Subtotal	1,146,884	1,058,020
Accumulated Depreciation	<u>(550,559)</u>	<u>(417,867)</u>
Net Fixed Assets	<u>\$ 596,325</u>	<u>\$ 640,153</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$132,692 and \$150,115, respectively.

7. Other Assets

The summary of other assets at December 31, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Domain Name	\$149,794	\$46,409
Accumulated Amortization	<u>(15,367)</u>	<u>(387)</u>
Net Other Assets	<u>\$134,427</u>	<u>\$46,022</u>

Amortization expense for the years ended December 31, 2018 and 2017 was \$14,980 and \$387, respectively.

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8. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Smart Homes	\$2,397,856	\$2,521,019
First Responders	<u>888,087</u>	<u>400,746</u>
	<u>\$3,285,943</u>	<u>\$2,921,765</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donors as follows for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Satisfaction of purpose restriction:		
Smart Homes	\$2,521,019	\$2,170,821
First Responders	<u>400,746</u>	<u> </u>
	<u>\$2,921,765</u>	<u>\$2,170,821</u>

9. Board Designated Endowment Funds

The Foundation's endowment fund includes net assets without any donor restrictions that have been designated for endowment by the Board of Directors. As of December 31, 2018, the board designated endowment fund totaled \$1,480,871, which consists of \$463,016 in investments and \$1,017,855 in cash. As of December 31, 2017, the board designated endowment fund totaled \$1,480,871, which consists of \$473,554 in investments and \$4,593 in cash.

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Notes to Financial Statements
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Investment and Spending Policies

The Foundation has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment asset. Investments will be diversified to limit the risk of loss resulting from the concentration of assets in a specific type of investment, specific maturity, specific issuer or sector unless the Executive Board prudently determines that, because of special circumstances, the purposes of the Fund are better served without diversification. The Executive Board shall review the diversification strategy periodically, provided, however, that it shall review any decision to not diversify as frequently as circumstances require but, at a minimum, annually.

The Foundation is committed to administering and investing all endowed funds in compliance with all relevant Foundation by-laws, organizational concerns, industry standards, and federal and state laws and regulations, including without limitation the New York Prudent Management of Institutional Funds Act (“NYPMIFA”). No policy will supersede any provision of federal or state law or regulation.

Changes in endowment net assets for the years ended December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Endowment Net Assets, Beginning of Year	\$ 478,147	\$15,635
Investment Return, net	(15,853)	30,398
Contributions	<u>1,018,577</u>	<u>432,114</u>
Endowment Net Assets, End of Year	<u>\$1,480,871</u>	<u>\$478,147</u>

10. 403(b) Pension Plan

During 2015, the Foundation adopted a 403(b)-pension plan where eligible employees are able to contribute part of their salary into an account under their management and control. The Foundation will match employee contributions at 100% of the first 3% and 50% of the next 2%. The Foundation’s share of pension expense for the years ended December 31, 2018 and 2017 totaled \$95,062 and \$63,386, respectively.

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Notes to Financial Statements
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11. Commitments and Contingencies

Operating Leases

The Foundation entered into a lease for its rental of office space in Staten Island, New York through June 30, 2017. In March 2016, the Foundation elected to renew the lease for an additional 60 months through June 30, 2021. A \$10,000 security deposit was paid when the lease was signed on June 15, 2012. Total rent expense for this lease for the years ended December 31, 2018 and 2017 was \$175,573 and \$161,376, respectively.

The Foundation entered into a lease for warehouse space in New Fairfield, Connecticut which ended in December 2018. Rent expense was \$560 per month.

The Foundation entered into a lease agreement for office space in New Fairfield, Connecticut in December 2017. The initial term of the lease began on December 1, 2017 and ends on December 31, 2022. There is an option to renew the lease for an additional five-year term. A security deposit of \$5,213 was paid at the signing of the lease. Rent expense for the year ended December 31, 2018 was \$27,390.

These leases have been classified as operating leases and the future minimum rental payments are as follows:

<u>Year Ending</u>	
2019	\$187,705
2020	188,466
2021	189,858
2022	<u>36,619</u>
	<u>\$602,648</u>

The Foundation also has several month-to-month leases for warehouse space in the New York City area.

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Capital Lease

On August 5, 2013, the Foundation executed a new lease agreement for vehicle equipment to transport its mobile 9/11 exhibit. The lease essentially transfers the risks of ownership and has a bargain purchase option at the end of the lease term and is accounted for as a capital lease. Monthly payments of principal and interest totaled \$4,631. The lease expired on September 5, 2018.

Equipment under capital lease at December 31, 2018 and 2017 includes:

	<u>2018</u>	<u>2017</u>
Vehicle for 9/11 Exhibit	\$210,000	\$210,000
Accumulated Depreciation	<u>(210,000)</u>	<u>(185,500)</u>
Net Book Value	<u>\$ 0</u>	<u>\$ 24,500</u>

12. Related Party Transaction

The Foundation has entered into transactions with members of the Board of Directors. A company owned by the Chairman of the Board of Directors provides the Foundation with its office space in Staten Island, New York. Amounts paid to this company for rent in accordance with the rental agreement are detailed in Note 11.

13. Line of Credit

The Foundation obtained a \$500,000 line of credit with Northfield Bank during 2013. The line bears an interest rate of 5% on the outstanding balance. The line was not used during 2018 and 2017. There were no outstanding balances at December 31, 2018 and 2017.

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Notes to Financial Statements
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14. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

15. Concentration of Credit Risk

The Foundation places its temporary cash and money market accounts with various financial institutions throughout the New York City area. Accounts at these institutions were insured for up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) at December 31, 2018 and 2017. The Foundation had uninsured balances of \$5,066,779 and \$4,308,555 at December 31, 2018 and 2017, respectively.