

FINANCIAL STATEMENTS TOGETHER WITH REPORT
OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

December 31, 2008 and 2007

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying statements of financial position of N.Y. Police and Fire Widows' and Children's Benefit Fund, Inc. (the "Fund") as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. 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 as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of N.Y. Police and Fire Widows' and Children's Benefit Fund, Inc. as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

GRANT THORNTON LLP

New York, New York
July 21, 2009

Grant Thornton LLP
U.S. member firm of Grant Thornton International Ltd

N.Y. Police and Fire Widows' and Children's Benefit Fund, Inc.

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2008 and 2007

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 15,122,332	\$ 17,478,712
Investments (Note C)	29,220,414	36,516,741
Contributions receivable	218,490	299,750
Interest and dividends receivable	<u>144,524</u>	<u>33,784</u>
Total assets	<u>\$ 44,705,760</u>	<u>\$ 54,328,987</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Liabilities		
Accrued expenses and other current liabilities	<u>\$ 235,540</u>	<u>\$ 171,500</u>
Total liabilities	<u>235,540</u>	<u>171,500</u>
Net assets - unrestricted (Note F)		
Undesignated	966,250	8,189,402
Escrow 1 (Note E)	17,344,824	24,361,620
Escrow 2 (Note E)	<u>26,159,146</u>	<u>21,606,465</u>
Total net assets	<u>44,470,220</u>	<u>54,157,487</u>
Total liabilities and net assets	<u>\$ 44,705,760</u>	<u>\$ 54,328,987</u>

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

N.Y. Police and Fire Widows' and Children's Benefit Fund, Inc.

STATEMENTS OF ACTIVITIES

For the years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues and other support		
Contributions	\$ 203,312	\$ 358,478
In-kind contributions (Note D)	842,548	1,300,563
Dinner and picnic revenue, net of direct costs of \$361,430 in 2008 and \$391,624 in 2007	1,366,653	1,153,194
Interest and dividend income	1,785,507	2,921,115
Net realized loss on investments	-	(97,626)
Unrealized (loss) gain on investments	<u>(3,988,211)</u>	<u>885,457</u>
Total revenues and other support	<u>209,809</u>	<u>6,521,181</u>
Expenses (Note G)		
Program service - benefit payments	8,524,999	9,084,999
Management and general	135,806	150,606
Management and general in-kind (Note D)	842,548	1,300,563
Fund-raising	<u>393,723</u>	<u>354,302</u>
Total expenses	<u>9,897,076</u>	<u>10,890,470</u>
Change in net assets	<u>(9,687,267)</u>	<u>(4,369,289)</u>
Unrestricted net assets - beginning of year	<u>54,157,487</u>	<u>58,526,776</u>
Unrestricted net assets - end of year	<u>\$ 44,470,220</u>	<u>\$ 54,157,487</u>

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

N.Y. Police and Fire Widows' and Children's Benefit Fund, Inc.

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Change in net assets	\$ (9,687,267)	\$ (4,369,289)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized loss on investments	-	97,626
Unrealized loss (gain) on investments	3,988,211	(885,457)
Changes in assets and liabilities:		
Decrease (increase) in contributions receivable	81,260	(246,800)
(Increase) decrease in interest and dividends receivable	(110,740)	29,543
Decrease in other assets	-	4,000
Increase in accrued expenses and other current liabilities	64,040	168,437
Net cash used in operating activities	<u>(5,664,496)</u>	<u>(5,201,940)</u>
Cash flows from investing activities		
Proceeds from sale of investments	9,600,000	21,212,205
Purchase of investments	<u>(6,291,884)</u>	<u>(8,385,480)</u>
Net cash provided by investing activities	<u>3,308,116</u>	<u>12,826,725</u>
Net (decrease) increase in cash and cash equivalents	(2,356,380)	7,624,785
Cash and cash equivalents at beginning of year	<u>17,478,712</u>	<u>9,853,927</u>
Cash and cash equivalents at end of year	<u>\$ 15,122,332</u>	<u>\$ 17,478,712</u>

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE A - ORGANIZATION

The N.Y. Police and Fire Widows' and 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 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 police officers and emergency service personnel killed in the line of duty.

The financial assistance given to the families generally consists of an immediate payment upon death, which would 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 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).

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *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 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.

2. *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. At December 31, 2008 and 2007, the Fund did not possess any temporarily or permanently restricted net assets.

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

NOTE B (continued)

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 risk-free rate of return

3. *Dinner and Picnic Revenue*

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

4. *Contributed Services*

The Fund receives certain contributed services that meet criteria established by accounting principles generally accepted in the United States of America for recognition as contributions. Such services (primarily legal, accounting and advertising services) are recorded at fair value.

5. *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.

6. *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.

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.

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

NOTE B (continued)

7. *Fair Value Measurements*

Effective January 1, 2008, the Fund adopted Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and enhances disclosure requirements for fair value measurements. SFAS No. 157 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, 2008. 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.

Level 2 - Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of December 31, 2008. 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, 2008. 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

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

NOTE B (continued)

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.

8. Valuation of Investments

Investments whose values are based on quoted market prices in active markets, and are therefore classified within level 1, include active listed equities, certain U.S. government and sovereign obligations, and certain money market securities. As of December 31, 2008, all of the Fund's investments were classified as Level 1.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include certain U.S. government and sovereign obligations, most government agency securities, investment-grade corporate bonds, certain mortgage products, certain bank loans and bridge loans, less liquid listed equities, state, municipal and provincial obligations, most physical commodities and certain loan commitments. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or nontransferability, which are generally based on available market information. The Fund did not have any Level 2 investments as of December 31, 2008.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include private equity and real estate investments, certain bank loans and bridge loans, less liquid corporate debt securities (including distressed debt instruments), collateralized debt obligations, and less liquid mortgage securities (backed by either commercial or residential real estate). The Fund did not have any Level 3 investments as of December 31, 2008.

9. Concentrations of Credit Risk

Financial instruments that potentially subject the Fund to concentrations of credit risk consist principally of cash, cash equivalents and investments. The Fund maintains its cash and money market accounts in various bank accounts that, at times, may exceed federally insured limits. The excess of the cash balance reported by the bank over the amount that would have been covered by federal depository insurance was approximately \$443,000 and \$210,000 at December 31, 2008 and 2007, respectively. At December 31, 2008 and 2007, the Fund held money market accounts of approximately \$14.5 million and \$9.4 million, respectively, with JP Morgan Chase, which were not covered by federal depository insurance. At December 31, 2007, the Fund held money market investments of approximately \$1.8 million with Bear Stearns, which have been subsequently transferred to JP Morgan Chase.

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

NOTE B (continued)

10. Use of 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 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.

NOTE C - INVESTMENTS

At December 31, 2008, investments at fair value consisted of the following:

Number of shares or par value	Description	Fair value	Cost
1,757,472	PIMCO All Asset Fund	\$ 17,732,894	\$ 22,388,985
\$11,505,000	U.S. Treasury Strips, due 8/15/09	11,486,822	11,268,413
60	Merrill Lynch & Co., Inc.	<u>698</u>	<u>5,246</u>
		<u>\$ 29,220,414</u>	<u>\$ 33,662,644</u>

At December 31, 2007, investments at fair value consisted of the following:

Number of shares or par value	Description	Fair value	Cost
1,272,059	PIMCO All Asset Fund	\$ 16,142,425	\$ 16,353,860
\$ 9,600,000	U.S. Treasury Strips: , due 8/15/08	9,422,592	9,512,586
\$11,505,000	, due 8/15/09	10,948,503	11,099,068
60	Merrill Lynch & Co., Inc.	<u>3,221</u>	<u>5,246</u>
		<u>\$ 36,516,741</u>	<u>\$ 36,970,760</u>

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

NOTE D - IN-KIND CONTRIBUTIONS

The Fund uses office space at the law offices of Weil, Gotshal & Manges LLP. The law offices provide the Fund with telephones, computers, a conference room, an office, secretarial services and access to a copy machine. In addition, the law offices also provided the Fund with pro bono legal services. The law offices did not allocate the expenses to each individual service and believe, to the best of their knowledge, that the value of services and space provided approximated \$247,000 and \$270,000 in 2008 and 2007, respectively.

Geller & Company, LLC provided the Fund with contributed accounting services approximating \$66,000 and \$91,000 in 2008 and 2007, respectively.

Advertising and public relations services contributed by Brouillard, Van Wagner Communications, Captivate Network, Clear Channel Outdoor, and Rubenstein & Associates approximated \$498,000 in 2008. Advertising and public relations services were contributed primarily by Brouillard during 2007 and approximated \$914,000.

Total in-kind contributions have been recorded as unrestricted contributions and have also been recorded as management and general expenses in the accompanying statements of activities.

For the years ended December 31, 2008 and 2007, total in-kind contributions consisted of the following:

	<u>2008</u>	<u>2007</u>
Advertising/public relations	\$ 497,696	\$ 914,000
Legal	226,709	260,205
Accounting	66,181	91,358
Moving	26,000	25,000
Office services	20,612	10,000
Other	<u>5,350</u>	<u>-</u>
Total management and general in-kind	<u>\$ 842,548</u>	<u>\$ 1,300,563</u>

In 2008 and 2007, the Fund received contributed services for the production and underwriting of a video for their Annual Dinner from Bloomberg, L.P. The fair market value of those services was approximately \$43,000 in both 2008 and 2007, and is recorded as dinner revenue and direct costs in the accompanying statements of activities.

N.Y. Police and Fire Widows' and Children's Benefit Fund, Inc.

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

NOTE E - ESCROW 1 AND ESCROW 2

In April 2002, the Board of Directors approved and established a segregated account, titled Escrow 1, that was designated as unrestricted support. It is the current intention of the Board of Directors to distribute these funds annually over a seven-year period beginning October 1, 2003.

In September 2002, the Board of Directors approved and established another segregated account, titled Escrow 2, that was also designated as unrestricted support. It is the current intention of the Board of Directors to commence distribution of Escrow 2 funds at the conclusion of the seven-year distribution period for Escrow 1, which is October 2010.

Subsequent to initial funding, Escrow 1 and Escrow 2 are periodically designated funds by the Board of Directors. Additionally, their respective fund balances are impacted by the market performance of investments, which are reflected in unrealized gain (loss) on investments in the accompanying statement of activities. For the years ended December 31, 2008 and 2007, approximately \$7,400,000 and \$0, respectively, were designated to Escrow 1 or Escrow 2.

NOTE F - CHANGES IN NET ASSETS - UNRESTRICTED

Changes in net assets in 2008 and 2007 were comprised of the following:

	<u>Undesignated</u>	<u>Escrow 1</u>	<u>Escrow 2</u>	<u>Total</u>
Net assets, January 1, 2008	\$ 8,189,402	\$ 24,361,620	\$ 21,606,465	\$ 54,157,487
Amounts designated by board	(7,429,755)	-	7,429,755	-
Transfers to fund benefit payments	8,000,000	(8,000,000)	-	-
Revenues and other support	2,103,679	983,204	(2,877,074)	209,809
Benefit payments	(8,524,999)	-	-	(8,524,999)
Other expenditures	(1,372,077)	-	-	(1,372,077)
Net assets, December 31, 2008	<u>\$ 966,250</u>	<u>\$ 17,344,824</u>	<u>\$ 26,159,146</u>	<u>\$ 44,470,220</u>
	<u>Undesignated</u>	<u>Escrow 1</u>	<u>Escrow 2</u>	<u>Total</u>
Net assets, January 1, 2007	\$ 8,158,643	\$ 30,189,550	\$ 20,178,583	\$ 58,526,776
Transfers to fund benefit payments	7,600,000	(7,600,000)	-	-
Revenues and other support	3,321,229	1,772,070	1,427,882	6,521,181
Benefit payments	(9,084,999)	-	-	(9,084,999)
Other expenditures	(1,805,471)	-	-	(1,805,471)
Net assets, December 31, 2007	<u>\$ 8,189,402</u>	<u>\$ 24,361,620</u>	<u>\$ 21,606,465</u>	<u>\$ 54,157,487</u>

N.Y. Police and Fire Widows' and Children's Benefit Fund, Inc.

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

NOTE G - FUNCTIONAL EXPENSES

For the year ended December 31, 2008, functional expenses were comprised of the following:

	Program	Management and general	Management and general in-kind	Fund-raising	Total
Benefit payments	\$ 8,524,999	\$ -	\$ -	\$ -	\$ 8,524,999
Audit fees	-	60,865	-	-	60,865
Printing and publications	-	3,349	-	-	3,349
Insurance	-	34,028	-	-	34,028
Salaries and payroll taxes	-	24,439	-	219,951	244,390
State registration fees	-	575	-	-	575
Recruiting	-	-	-	2,763	2,763
Postage	-	3,070	-	-	3,070
Marketing	-	-	-	167,208	167,208
Miscellaneous	-	9,480	-	3,801	13,281
Management and general in-kind	-	-	842,548	-	842,548
	<u>\$ 8,524,999</u>	<u>\$ 135,806</u>	<u>\$ 842,548</u>	<u>\$ 393,723</u>	<u>\$ 9,897,076</u>

For the year ended December 31, 2007, functional expenses were comprised of the following:

	Program	Management and general	Management and general in-kind	Fund-raising	Total
Benefit payments	\$ 9,084,999	\$ -	\$ -	\$ -	\$ 9,084,999
Audit fees	-	46,720	-	-	46,720
Printing and publications	-	9,402	-	-	9,402
Insurance	-	26,256	-	-	26,256
Contract services	-	58,000	-	-	58,000
Salaries and payroll taxes	-	-	-	123,659	123,659
State registration fees	-	3,995	-	-	3,995
Recruiting	-	-	-	56,519	56,519
Postage	-	1,254	-	-	1,254
Marketing	-	-	-	174,124	174,124
Miscellaneous	-	4,979	-	-	4,979
Management and general in-kind	-	-	1,300,563	-	1,300,563
	<u>\$ 9,084,999</u>	<u>\$ 150,606</u>	<u>\$ 1,300,563</u>	<u>\$ 354,302</u>	<u>\$ 10,890,470</u>

N.Y. Police and Fire Widows' and Children's Benefit Fund, Inc.

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

NOTE H - EMPLOYEE BENEFIT PLAN

The Fund sponsors a 401(a) profit sharing plan with a 401(k) feature. 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 401(k) plan equal to 5% of a participant's eligible compensation. Total pension expense under this 401(k) plan for 2008 and 2007 totaled \$16,109 and \$0, respectively. Participants are immediately vested in their employee-contributed account balance and in the employer's contribution portion and all earnings thereon.