PETER WESTBROOK FOUNDATION, INC.
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

Peter Westbrook Foundation, Inc.
Report on Financial Statements
For The Years Ended December 31, 2017 and 2016

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KBL LLP
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Peter Westbrook Foundation, Inc.

Report on the financial statements

We have audited the accompanying financial statements of Peter Westbrook Foundation, Inc. (the "Foundation") which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, 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 audit. We conducted our audit 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 of 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 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 Foundation as of December 31, 2017 and 2016, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

KBL, LLP
New York, NY
May 12, 2018

Peter Westbrook Foundation, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 291,501	$ 258,282
Grants and accounts receivable	36,460	147,107
Deposits	-	300,000
Prepaid expenses and other assets	5,760	1,283
Investments	13,548,565	11,508,240
Property and equipment, net	3,211	931
Total assets	$ 13,885,497	$ 12,215,843
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 17,482	$ 10,705
Total liabilities	17,482	10,705
Commitments and Contingencies	-	-
Net Assets:		
Unrestricted	648,643	504,401
Temporarily restricted	54,910	3,898,419
Permanently restricted	13,164,462	7,802,318
Total net assets	13,868,015	12,205,138
Total liabilities and net assets	$ 13,885,497	$ 12,215,843

See notes to financial statements

Peter Westbrook Foundation, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2017

(With comparative totals for 2016)

	2017				2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
SUPPORT AND REVENUES:					
Contributions and grants	$ 363,528	$ -	$ 4,208,262	$ 4,571,790	1,309,660
Net appreciation (depreciation) in fair value of investments	22,010	43,387	1,513,669	1,579,066	1,053,696
Program fees and other income	13,145	-	-	13,145	17,210
Net assets released from restrictions	352,984	(3,886,896)	(359,787)	(3,893,699)	116,210
Total Support and Revenues	751,667	(3,843,509)	5,362,144	2,270,302	2,496,776
EXPENSES:					
Program services	448,837	-	-	448,837	404,658
Fundraising expenses	57,145	-	-	57,145	54,648
Management and general	101,443	-	-	101,443	90,632
Total Expenses	607,425	-	-	607,425	549,938
Change in Net Assets	144,242	(3,843,509)	5,362,144	1,662,877	1,946,838
Net assets at beginning of year	504,401	3,898,419	7,802,318	12,205,138	10,258,300
Net assets at end of year	$ 648,643	$ 54,910	$ 13,164,462	$ 13,868,015	$ 12,205,138

See notes to financial statements

Peter Westbrook Foundation, Inc.

SCHEDULES OF FUNCTIONAL EXPENSES

For year ended December 31, 2017

(With comparative totals for 2016)

	Program Services	Fundraising Expenses	Management and General	2017 Total Expenses	2016 Total Expenses
Personnel services	$ 106,735	$ 29,000	$ 36,250	$ 171,985	$ 165,953
Payroll taxes and fringe benefits	21,841	6,793	8,492	37,126	35,994
Pension	7,150	2,600	3,250	13,000	13,000
Coaching fees	94,339	-	-	94,339	82,797
Academic enrichment(Tutors)	20,732	-	-	20,732	31,049
Academic scholarship	1,700	-	-	1,700	500
Creative expressions	1,145	-	-	1,145	140
Contributions and gifts	2,490	-	6,126	8,616	16,560
Tournament and competition	81,772	-	-	81,772	44,441
Trophies and T-shirts	10,679	-	-	10,679	12,341
Office expenses	1,672	-	3,545	5,217	8,863
Postage and delivery	468	468	935	1,871	1,849
Professional fees	9,280	14,998	30,608	54,886	79,096
Printing and reproduction	2,811	-	-	2,811	3,547
Telephone	1,856	919	919	3,694	3,205
Demonstrations	300	-	-	300	650
Space rental	30,459	-	-	30,459	28,007
Insurance	2,446	-	625	3,071	1,525
Event Expense	8,198	-		8,198	-
Repairs and maintenance		-	1,461	1,461	1,067
Meals and entertainment	18,493	-	2,133	20,626	4,735
Travel	-	-	1,291	1,291	2,329
Dues and subscriptions	18,368	-	3,441	21,809	2,448
Depreciation	607	-	-	607	559
Miscellaneous	5,296	2,367	2,367	10,030	9,283
Total	**$ 448,837**	**$ 57,145**	**$ 101,443**	**$ 607,425**	**$ 549,938**

See notes to financial statements

Peter Westbrook Foundation, Inc.

STATEMENTS OF CASH FLOWS

For year ended 2017

(With comparative totals for 2016)

	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,662,877	$ 1,946,838
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	607	559
Net (appreciation) on investments	(1,579,066)	(968,707)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(4,477)	1,706
Grants and accounts receivable	110,647	771,775
Deposits	300,000	-
Accounts payable and accrued expenses	(6,777)	(15,891)
Net cash provided by operating activities	483,811	1,736,280
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(2,887)	-
Net change in investments	(447,705)	(1,633,680)
Net cash (used in) investing activities	(450,592)	(1,633,680)
Net increase in cash and cash equivalents	33,219	102,600
Cash and cash equivalents beginning of year	258,282	155,682
Cash and cash equivalents at end of year	$ 291,501	$ 258,282

Supplementary disclosures of cash flow information

Cash paid during the year for:		
Interest expense	$ -	$ -

See notes to financial statements

NOTE 1. THE FOUNDATION

The Peter Westbrook Foundation, Inc. (the "Foundation") is a not-for-profit organization formed under the laws of the State of New York to operate exclusively for charitable purposes. The Foundation utilizes the sport of fencing as a vehicle to develop life skills in young people from underserved communities. The primary objectives of the year-round program are to help to:

- Equip themselves with the life skills that enable them to take control of their futures,
- Strive for academic excellence,
- Develop leadership skills,
- Build self confidence,
- Gain exposure to people from diverse cultural and socioeconomic backgrounds,
- Learn about healthy lifestyles,
- Develop their sense of civic duty and community service,
- Foster a sense of community inspired by a common love of fencing.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Classification of Net Assets

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily and permanently restricted. They are described as follows:

Unrestricted net assets: This consists of assets that are neither permanently nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets: This consists of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation. The temporarily restricted assets include all revenues and contributions designated for program activities.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Classification of Net Assets (Continued)

Permanently restricted net assets: This consists of assets whose use by the Foundation is subject to donor-imposed stipulations that the funds be maintained in perpetuity and only the interest earned or dividend income from the investment of such funds may be released from restrictions and used in the Foundation's operations.

Use of Estimates

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents held by the Foundation's investment managers are included as investments.

Property and Equipment

Property and equipment are stated at cost or fair value at the date of the donation. Depreciation is provided using the straight-line method over the estimated useful lives for furniture, fixtures, and equipment of 3 to 5 years.

The Foundation follows the practice of capitalizing all expenditures for fixed assets in excess of $500. The property and equipment account is designated for property and equipment acquisitions, and to record their costs and accumulated depreciation.

Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to concentration of credit risk consist primarily of cash and cash equivalents and investments. Cash and cash equivalents are held at high credit quality financial institutions, and balances may at times exceed FDIC insurance limits. At December 31, 2017 and 2016, the Foundation had no cash and cash equivalents balances in excess of insured Federal limits.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Deferred Revenue

Income from events is deferred and recognized in the year the event occurs.

Fundraising Event

Fundraising event revenue and expenses are recognized in the period of the event. Fundraising event income received in advance of the event is recorded as deferred revenue and related costs expended prior to the event are recorded as prepaid expenses.

Investments

Investments held in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statements of financial position.

Unrealized gains or losses are included in the changes in permanently restricted assets. Investment income is reported net of brokerage fees and commissions. Investment transactions are recorded on a trade date basis.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Major U.S. and foreign equity and fixed income indices have experienced volatility and, in some cases, significant declines. Management is monitoring investment market conditions and the impact such declines are having on the Foundation's investment portfolio. 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 those changes could materially affect the amounts reported in the statements of financial position and activities.

Contributions and Gifts

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Fair Value of Financial Instruments

The fair value of the Foundation's financial instruments approximate the carrying amounts reported in the statement of financial position for cash and cash equivalents, accounts receivable, short term investments, accounts payable, and accrued expenses.

Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Valuation techniques that are consistent with the market approach, income approach, or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

- Level I inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Foundation has the ability to access.
- Level II inputs are inputs (other than quoted prices included within Level I) that are observable for the asset or liability, either directly or indirectly.
- Level III inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Functional allocation of expenses

The costs of providing the various programs and other activities of the Foundation have been summarized on a functional basis in the statement of activities and changes in net assets, which included all expenses incurred for the year. Accordingly, certain costs have been allocated among the programs and other activities benefited. Such allocations are determined by management in accordance with grant provisions and/or other equitable bases.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Income taxes

The Foundation is a tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code. The Foundation is not considered to be a private foundation as determined by the Internal Revenue Service. Therefore, there is no provision for income taxes.

The Foundation has no unrecognized tax benefits at December 31, 2016 and 2015. The Foundation's Federal and State tax returns prior to fiscal year 2013 are closed, and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings.

Reclassification

Certain 2016 items have been reclassified to conform to 2017 financial statement presentation.

Subsequent events

The Foundation evaluated events occurring between the end of its fiscal year, December 31, 2017, and May 12, 2018, when the financial statements were issued.

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment are carried at cost and consist of the following:

	2017	2016
Fencing equipment	$ 68,857	$ 68,857
Furniture and equipment	16,502	13,615
	85,359	82,472
Accumulated depreciation	(82,148)	(81,541)
Total	$ 3,211	$ 931

Depreciation expense for the years ended December 31, 2017 and 2016 was $607 and $559, respectively.

NOTE 4. INVESTMENTS

Investments comprise the following:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Cash and money market funds	$ 283,948	$ 283,948	$ 982,394	$ 982,394
Mutual funds	12,896,180	13,264,617	10,643,019	10,525,846
	$ 13,180,128	$ 13,548,565	$ 11,625,413	$ 11,508,240

Net investment (depreciation) appreciation consisted of the following:

	2017	**2016**
Investment income	$ 1,210,629	$1,170,869
Unrealized gain (loss)	368,437	(117,173)
	$ 1,579,066	$1,053,696

NOTE 5. FAIR VALUE MEASUREMENT

Fair Value Measurements — Financial Accounting Standards Board (FASB) Accounting Standards Codification ("ASC") No. 820 — Fair Value Measurements and Disclosures (formerly FASB Statement No. 157, Fair Value Measurements), establishes a framework for measuring fair value. The three levels of the fair value hierarchy under ASC No. 820 are described as follows:

Level 1 inputs are observable inputs and use quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date and are deemed to be most reliable measure of fair value.

NOTE 5. FAIR VALUE MEASUREMENT *(Continued)*

Level 2 inputs are observable inputs and reflect assumptions that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Level 2 inputs includes 1) quoted prices for similar assets or liabilities in active markets, 2) quoted prices for identical or similar assets or liabilities in markets that are not active, 3) observable inputs such as interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, credits risks, default rates, and 4) market-corroborated inputs.

Level 3 inputs are unobservable inputs and reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available under the circumstances.

The following tables set forth the Foundation's investment assets at fair value on December 31, 2017 and 2016 by level within the fair value hierarchy:

December 31, 2017:

	Level 1	Level 2	Level 3	Total
Cash and money market funds	$ 283,948	$ -	$ -	$ 283,948
Mutual funds	-	13,264,617	-	13,264,617
Total	$ 283,948	$ 13,264,617	$ -	$ 13,548,565

December 31, 2016:

	Level 1	Level 2	Level 3	Total
Cash and money market funds	$ 982,394	$ -	$ -	$ 982,394
Mutual funds	-	10,525,846	-	10,525,846
Total	$ 982,394	$ 10,525,846	$ -	$ 11,508,240

Money market funds are held in a demand deposit account that earns a market interest rate. As a result, the fair value of the Foundation's investments in interest-bearing savings accounts is derived from the cash balances in each account as of December 31, 2017 and 2016.

Investments in mutual funds are designated as Level 1 instruments, and valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

NOTE 5. FAIR VALUE MEASUREMENT (*Continued)*

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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.

NOTE 6. EMPLOYEE BENEFIT PLAN

The Foundation sponsors a defined contribution retirement plan covering all eligible employees. The Foundation's matching contributions under the plan totaled approximately $13,000 and $13,000 for 2017 and 2016.

NOTE 7. ENDOWMENT

The Foundation's endowment consists of funds received through separate fundraising campaigns established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by The Foundation. The Foundation considers the following factors in making determination to appropriate or accumulate donor-restricted endowment funds:

1) The duration and preservation of the fund,
2) The purposes of the organization and the donor-restricted endowment fund,
3) General economic conditions,
4) The possible effect of inflation and deflation,
5) The expected total return from income and the appreciation of investments,
6) Other resources of the organization,
7) The investment policies of the organization.

NOTE 7. ENDOWMENT (*Continued)*

Strategies Employed for Achieving Objectives

The primary Endowment Fund objective is to seek a total return adequate to support a trailing 5% spending policy and to maintain the purchasing power of the endowment, net of inflation. Distribution will be made from the Fund, and may be taken from principal or income so that there is no requirement to generate a particular level of dividends or interest. The time horizon is perpetual, and the Board is not concerned with intermediate volatility. The Fund is nonetheless to be balanced with fixed income instruments, in order to reduce the risk of substantial drops in principal value.

Spending Policy and Related Investment Objectives

For purposes of determining the gain or loss on sale, the cost of securities sold is based on the average costs of all of those securities sold. In order to preserve the purchasing power of the Foundation's investments, the Foundation adopted a spending rate that regulated the amount based on investment return made available for support of the Foundation's operations. The spending rate is 3.50% of the average endowment market value. The amount budgeted for operations is within the limits of the Foundation's spending rate, and is identified as investment income appropriated for operations in the statement of activities.

NOTE 8. DEPOSIT

In 2015, the Foundation entered into equal partnership with the not-for-profit entity, The Fencers Club, and established Fencers Realty LLC, a limited liability company. On March 2, 2015, Fencers Realty LLC went into contract with HY Owner LLC for the purchase of a condominium unit at 509 West 38th Street, New York, New York. As per the contract, a $600,000 deposit was required on signing, with a total purchase price of $12,000,000. The Foundation was responsible for $300,000 of said deposit, while the Fencers Club was responsible for the remaining $300,000. The deposit was made on February 20, 2015. In a mutually agreeable arrangement, the Foundation then reframed its plans, choosing to dissolve the agreement. The deposit of $300,000 was returned to the Foundation in June, 2017.