



CENTRAL PARK CONSERVANCY, INC.

Financial Statements and Schedule

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Trustees
Central Park Conservancy, Inc.:

We have audited the accompanying financial statements of Central Park Conservancy, Inc. (the Conservancy), which comprise the balance sheets as of June 30, 2016 and 2015, 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 U.S. generally accepted accounting principles; 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.

Auditors' 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 auditors' 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 Conservancy'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 Conservancy'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 Central Park Conservancy, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.



Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

November 22, 2016

CENTRAL PARK CONSERVANCY, INC.

Balance Sheets

June 30, 2016 and 2015

(Dollars in thousands)

Assets	2016	2015
Cash	\$ 7,429	5,607
Short-term investments (note 3)	17,756	38,161
Accounts receivable (note 11)	7,802	5,915
Prepaid expenses and other assets	1,348	1,074
Contributions receivable, net (note 4)	25,782	30,851
Investments held for endowment (note 3)	211,927	216,273
Other long-term investments (note 3)	52,093	65,577
Investments held under split-interest agreements	1,111	1,115
457(b) deferred compensation plan (note 9)	1,368	1,245
Fixed assets, net (note 5)	3,972	4,278
Total assets	\$ 330,588	370,096
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 7,650	8,512
Liabilities under split-interest agreements	775	698
Other liabilities	658	666
457(b) deferred compensation plan liability (note 9)	1,368	1,245
Total liabilities	10,451	11,121
Net assets:		
Unrestricted:		
Available for operations	229	2,109
Board designated (notes 6 and 7)	78,606	86,000
Total unrestricted	78,835	88,109
Temporarily restricted (notes 6 and 7)	148,823	180,218
Permanently restricted (notes 6 and 7)	92,479	90,648
Total net assets	320,137	358,975
Total liabilities and net assets	\$ 330,588	370,096

See accompanying notes to financial statements.

CENTRAL PARK CONSERVANCY, INC.

Statement of Activities

Year ended June 30, 2016
(with comparative summarized totals for 2015)

(Dollars in thousands)

	Unrestricted			Temporarily restricted	Permanently restricted	Totals	
	Operations	Board designated	Total unrestricted			2016	2015
Revenue, gains (losses), and other support:							
Contributions (notes 3 and 4)	\$ 15,044	861	15,905	10,096	2,807	28,808	45,156
Revenue from the City of New York:							
Contract revenue (note 11)	8,208	—	8,208	—	—	8,208	9,101
Project revenue (note 11)	2,386	—	2,386	—	—	2,386	37
Special events revenue	5,717	—	5,717	—	—	5,717	5,618
Less expenses incurred for direct donor benefits	(1,301)	—	(1,301)	—	—	(1,301)	(1,194)
Special events revenue, net	4,416	—	4,416	—	—	4,416	4,424
Interest and dividends, net of investment expenses of \$2,567 in 2016	243	89	332	151	—	483	3,457
Net appreciation (depreciation) in fair value on investments	418	(1,162)	(744)	(16,464)	(976)	(18,184)	(12,986)
Change in value of split-interest agreements	—	(160)	(160)	—	—	(160)	(53)
Other (note 8)	1,662	—	1,662	—	—	1,662	1,470
Total revenue and gains	32,377	(372)	32,005	(6,217)	1,831	27,619	50,606
Net assets released from restrictions:							
Contributions and other revenue	29,733	(6,627)	23,106	(23,106)	—	—	—
Administrative cost recovery	3,267	(1,195)	2,072	(2,072)	—	—	—
Total net assets released from restrictions	33,000	(7,822)	25,178	(25,178)	—	—	—
Total revenue, gains (losses), and other support	65,377	(8,194)	57,183	(31,395)	1,831	27,619	50,606
Expenses:							
Program services:							
Planning, design, and construction	19,893	—	19,893	—	—	19,893	19,373
Horticulture, maintenance, and operations	23,553	—	23,553	—	—	23,553	22,099
Visitor experience	4,910	—	4,910	—	—	4,910	5,211
Helping other parks	4,388	—	4,388	—	—	4,388	3,991
Total program services	52,744	—	52,744	—	—	52,744	50,674
Supporting services:							
Fund-raising	7,942	—	7,942	—	—	7,942	7,278
Management and general	5,771	—	5,771	—	—	5,771	5,590
Total supporting services	13,713	—	13,713	—	—	13,713	12,868
Total expenses	66,457	—	66,457	—	—	66,457	63,542
(Decrease) increase in net assets before transfers	(1,080)	(8,194)	(9,274)	(31,395)	1,831	(38,838)	(12,936)
Transfers	(800)	800	—	—	—	—	—
(Decrease) increase in net assets	(1,880)	(7,394)	(9,274)	(31,395)	1,831	(38,838)	(12,936)
Net assets at beginning of year	2,109	86,000	88,109	180,218	90,648	358,975	371,911
Net assets at end of year	\$ 229	78,606	78,835	148,823	92,479	320,137	358,975

See accompanying notes to financial statements.

CENTRAL PARK CONSERVANCY, INC.

Statement of Activities

Year ended June 30, 2015

(Dollars in thousands)

	<u>Operations</u>	<u>Unrestricted Board designated</u>	<u>Total unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total 2015</u>
Revenue, gains (losses), and other support:						
Contributions (notes 3 and 4)	\$ 25,165	2,564	27,729	14,784	2,643	45,156
Revenue from the City of New York:						
Contract revenue (note 11)	9,101	—	9,101	—	—	9,101
Project revenue (note 11)	—	37	37	—	—	37
Special events revenue	5,618	—	5,618	—	—	5,618
Less expenses incurred for direct donor benefits	(1,194)	—	(1,194)	—	—	(1,194)
Special events revenue, net	4,424	—	4,424	—	—	4,424
Interest and dividends, net of investment expenses of \$2,179 in 2015	160	1,032	1,192	2,265	—	3,457
Net appreciation (depreciation) in fair value on investments	203	(816)	(613)	(11,448)	(925)	(12,986)
Change in value of split-interest agreements	—	(53)	(53)	—	—	(53)
Other (note 8)	1,470	—	1,470	—	—	1,470
Total revenue and gains	40,523	2,764	43,287	5,601	1,718	50,606
Net assets released from restrictions:						
Contributions and other revenue	28,395	(4,448)	23,947	(23,947)	—	—
Administrative cost recovery	4,015	(1,818)	2,197	(2,197)	—	—
Total net assets released from restrictions	32,410	(6,266)	26,144	(26,144)	—	—
Total revenue, gains (losses), and other support	72,933	(3,502)	69,431	(20,543)	1,718	50,606
Expenses:						
Program services:						
Planning, design, and construction	19,373	—	19,373	—	—	19,373
Horticulture, maintenance, and operations	22,099	—	22,099	—	—	22,099
Visitor experience	5,211	—	5,211	—	—	5,211
Helping other parks	3,991	—	3,991	—	—	3,991
Total program services	50,674	—	50,674	—	—	50,674
Supporting services:						
Fund-raising	7,278	—	7,278	—	—	7,278
Management and general	5,590	—	5,590	—	—	5,590
Total supporting services	12,868	—	12,868	—	—	12,868
Total expenses	63,542	—	63,542	—	—	63,542
Increase (decrease) in net assets before transfers	9,391	(3,502)	5,889	(20,543)	1,718	(12,936)
Transfers	(7,708)	7,708	—	(224)	224	—
Increase (decrease) in net assets	1,683	4,206	5,889	(20,767)	1,942	(12,936)
Net assets at beginning of year	426	81,794	82,220	200,985	88,706	371,911
Net assets at end of year	\$ 2,109	86,000	88,109	180,218	90,648	358,975

See accompanying notes to financial statements.

CENTRAL PARK CONSERVANCY, INC.

Statements of Cash Flows

Years ended June 30, 2016 and 2015

(Dollars in thousands)

	2016	2015
Cash flows from operating activities:		
Decrease in net assets	\$ (38,838)	(12,936)
Adjustments to reconcile decrease in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	1,165	1,071
Net depreciation in fair value on investments	18,184	12,986
Change in value of split-interest agreements	160	53
Permanently restricted contributions and earnings classified as financing activities	(1,831)	(1,718)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(1,887)	2,617
(Increase) decrease in prepaid expenses and other assets	(274)	6
Decrease in contributions receivable, net of amounts classified as financing activities	4,961	13,074
(Decrease) increase in accounts payable and accrued expenses	(862)	1,838
(Decrease) increase in other liabilities	(8)	7
Net cash (used in) provided by operating activities	(19,230)	16,998
Cash flows from investing activities:		
Proceeds from sale of investments	92,960	133,281
Purchases of investments	(73,065)	(153,868)
Acquisition of fixed assets	(859)	(1,052)
Net cash provided by (used in) investing activities	19,036	(21,639)
Cash flows from financing activities:		
Permanently restricted contributions and earnings	1,831	1,718
Decrease in permanently restricted contributions receivable	108	107
Net change in liabilities under split-interest agreements	77	2
Net cash provided by financing activities	2,016	1,827
Net increase (decrease) in cash	1,822	(2,814)
Cash at beginning of year	5,607	8,421
Cash at end of year	\$ 7,429	5,607

See accompanying notes to financial statements.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

(1) Organization

Central Park Conservancy, Inc. (the Conservancy) is a not-for-profit organization incorporated under the laws of New York State and is a tax-exempt organization under the Internal Revenue Code.

The Conservancy is funded primarily from contributions made by individuals, corporations, and foundations within the metropolitan area, as well as project and contract revenue from the City of New York/Department of Parks and Recreation. These amounts are used to fund major capital improvements, provide horticultural care and maintenance, and offer programs for volunteers and visitors of Central Park. Additionally, the Conservancy provides training and maintenance support in other NYC Parks. The major capital improvements are not capitalized assets of the Conservancy but are assets of the City of New York.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis.

(b) Basis of Presentation

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

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions. However, the board of trustees may choose to designate such funds for particular uses.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that will be met either by actions of the Conservancy and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that the Conservancy maintains permanently. Generally, the donors of these assets permit the Conservancy to use all or part of the income earned on related investments for general or specific purposes.

Revenues, gains, and other support are reported as increases in unrestricted net assets unless their use is limited by explicit donor-imposed restrictions or by law. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-imposed stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

(c) Contributions

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period in which the pledge or cash is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows, net of allowances. Conditional promises to give are not recognized until they become unconditional, that is, when the future and uncertain event on which they depend has occurred.

(d) Fair Value Measurements

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Conservancy discloses fair value measurements by level within that hierarchy. The fair value hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Conservancy has the ability to access at the measurement date.

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 Inputs that are unobservable.

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.

(e) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based upon quoted market prices with gains and losses included in the statements of activities. Donated securities are measured at fair value at the date of the contribution.

The Conservancy follows the provisions of Accounting Standards Update (ASU) No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, relating to certain investments in funds that do not have readily determinable fair values, including private equities, hedge funds, real estate, and other funds (alternative investments). ASU 2009-12 allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent, as provided by the investment managers. The Conservancy reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the net asset values of these investments. These estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

The Conservancy also follows the provisions of ASU No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share practical expedient and removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient.

(f) Income Taxes

The Conservancy also follows the provisions of ASU No. 2009-06, *Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities* (ASU 2009-06), in conjunction with its adoption of Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (now included in Accounting Standards Codification (ASC) Subtopic 740-10, *Income Taxes – Overall*). The Conservancy recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Income generated from activities unrelated to the Conservancy's exempt purpose is subject to tax. The Conservancy did not have any material unrelated business income tax liabilities for the years ended June 30, 2016 and 2015.

(g) Fixed Assets

Fixed assets are recorded at cost. Furniture and equipment are depreciated using the straight-line method over their estimated useful lives. Leasehold improvements are amortized over the term of the lease or life of the asset, whichever is shorter.

(h) Split-Interest Agreements

The Conservancy's split-interest agreements with donors consist primarily of charitable gift annuities and irrevocable charitable remainder trusts for which the Conservancy serves as trustee. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements. The investments held under split-interest agreements are invested principally in mutual funds, which are fair valued as of June 30 using Level 1 inputs in the fair value hierarchy.

Contribution revenue for charitable gift annuities and charitable remainder trusts is recognized at the date the agreement is established, net of the liability recorded for the present value of the estimated future payments to be made to the respective donors and/or other beneficiaries.

The present value of payments to beneficiaries of charitable gift annuities and charitable remainder trusts is calculated using discount rates, which represent the risk-adjusted rates in existence at the date of the gift. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the respective net asset class in the accompanying statements of activities.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

(i) Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Conservancy considers highly liquid investments purchased with an original maturity of three months or less, other than those held in the investment portfolio, to be cash equivalents.

(j) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of fixed assets, allowances for doubtful accounts, the valuation of investments, income tax uncertainties, and other contingencies.

(k) Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Conservancy have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(l) Risks and Uncertainties

The Conservancy invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheets.

(m) Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform with the 2016 presentation.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

(3) Investments

All investments are considered level 1 in the fair value hierarchy, except for investments reported at net asset value (or its equivalent).

A summary of the fair value of investments at June 30, 2016 and 2015 is as follows:

	2016	2015
Short-term investments:		
U.S. Treasury and money market funds	\$ 17,756	38,161
Investments held for endowment:		
U.S. Treasury money market funds	\$ 13,865	25,299
Domestic equities	33,997	38,892
Foreign equities	44,904	54,017
	92,766	118,208
Investments reported at NAV (or its equivalent):		
Real estate	28,834	21,531
Absolute return	38,415	38,650
Domestic equities	38,205	23,196
Foreign equities	13,707	14,688
	119,161	98,065
Total investments reported at NAV (or its equivalent)	119,161	98,065
Total investments held for endowment	\$ 211,927	216,273
Other long term investments:		
U.S. Treasury money market funds	\$ 3,388	260
U.S. Treasury bonds	17,520	20,010
	20,908	20,270
Investments reported at NAV (or its equivalent):		
Absolute return	14,080	23,278
Domestic equities	11,613	18,791
Other	5,492	3,238
	31,185	45,307
Total investments reported at NAV (or its equivalent)	31,185	45,307
Total other long term investments	\$ 52,093	65,577

Under the terms of the limited partnership agreements, the Conservancy is obligated to periodically advance additional funding for its partnership investments. The unfunded commitments have not been recorded as a liability in the accompanying balance sheets. Such commitments generally have fixed expiration dates or other termination clauses. The Conservancy maintains sufficient liquidity in its investment portfolio to cover such calls. As of June 30, 2016, the Conservancy committed approximately 48% of the total investment balance in alternative investments.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

The following table presents the strategies and related redemption information and unfunded commitments to the Conservancy's investments held for endowment measured at net asset value:

		2016		
	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Investments held for endowment:				
Real estate fund	\$ 28,834	16,324	None	Not applicable
Absolute return	38,415	—	None	Not applicable
Domestic equities	38,205	32,633	Quarterly	60 days
Foreign equities	13,707	—	Weekly, none	7 days, not applicable
	<u>\$ 119,161</u>	<u>48,957</u>		

Other Long-Term Investments

During fiscal year 2013, one board member made a contribution of \$100,000 to the Conservancy and required that \$50,000 of the gift be invested in specific alternative investment funds (the Funds) that are managed by his firm and charged usual and customary fees.

Notwithstanding any provisions of any of the invested Funds, or any rights set forth in any Fund's Offering Memorandum or Articles of Association to the contrary, the Conservancy agrees not to submit requests for redemption until 2018 without obtaining the mutual consent of the donor and the Conservancy. Furthermore, in years 2018 through 2022, the Conservancy agrees that it shall (i) only submit requests for redemption of no more than 10% of the balance of the total of its investment in all funds valued at the end of the prior year, and (ii) use such redemptions strictly for capital expenditures (and related operating expenses) unless the mutual consent of the Donor and the Conservancy is obtained. As of January 1, 2023, the Conservancy may withdraw any portion of the remaining balance, as it shall determine.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

(4) Contributions Receivable

Contributions receivable at June 30, 2016 and 2015 are due to be collected as follows:

	2016	2015
Less than one year	\$ 15,138	6,003
One to five years	9,318	23,628
Five years and thereafter	1,883	2,123
	26,339	31,754
Allowance	(288)	(288)
Discount to present value (at rates ranging from 0.72% to 5.10%)	(269)	(615)
Contributions receivable, net	\$ 25,782	30,851

Included in contributions receivable at June 30, 2016 is a receivable of \$10 million from a board member, which is payable in fiscal year 2017. Three donors comprised approximately 17% and 27% of total contribution revenue for the years ended June 30, 2016 and 2015, respectively.

(5) Fixed Assets

A summary of fixed assets at June 30, 2016 and 2015 is as follows:

	2016	2015	Estimated useful lives
Furniture and fixtures	\$ 1,400	1,249	5 to 10 years
Office and field equipment	8,232	7,932	3 to 5 years
Leasehold improvements	2,269	1,861	10 years
	11,901	11,042	
Less accumulated depreciation and amortization	(7,929)	(6,764)	
	\$ 3,972	4,278	

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

(6) Net Assets

(a) *Unrestricted – Board-Designated*

Unrestricted – board-designated net assets are available for the following purposes at June 30, 2016 and 2015:

	2016	2015
Planning, design, and construction	\$ 29,888	33,374
Horticulture, maintenance, and operations	9,440	9,912
Visitor experience	119	121
General purposes	39,159	42,593
	\$ 78,606	86,000

(b) *Temporarily Restricted Net Assets*

Temporarily restricted net assets are available for the following purposes at June 30, 2016 and 2015:

	2016	2015
Planning, design, and construction	\$ 99,630	123,151
Horticulture, maintenance, and operations	40,023	47,385
Visitor experience	2,661	2,922
Helping other parks	2,697	2,502
General purposes	3,812	4,258
	\$ 148,823	180,218

(c) *Permanently Restricted Net Assets*

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support the following purposes at June 30, 2016 and 2015:

	2016	2015
Horticulture, maintenance, and operations	\$ 83,329	81,067
Visitor experience	5,254	5,527
General purposes	3,896	4,054
	\$ 92,479	90,648

(7) Endowment Funds

The Conservancy’s endowment consists of 85 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Conservancy to function as endowments.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

The Conservancy's management and investment of donor-restricted endowment funds have historically been subject to the provisions of the Uniform Management of Institutional Funds Act (UMIFA) and the New York State Trust Laws. In 2006, the Uniform Law Commission approved the model act, the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which serves as a guideline for states to use in enacting legislation. Among UPMIFA's most significant changes was the elimination of UMIFA's important concept of historical dollar-value threshold, the amount below which an organization could not spend from the fund in favor of a more robust set of guidelines about what constitutes prudent spending. In fiscal year 2011, New York State enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA).

Pursuant to the investment policy approved by the board, the Conservancy has interpreted the NYPMIFA as allowing the Conservancy to appropriate for expenditure or accumulate so much of a donor-restricted endowment fund as the Conservancy deems prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument absent explicit donor stipulations to the contrary. As a result of this interpretation, the Conservancy has not changed the way permanently restricted net assets are classified.

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 in a manner consistent with the standards of prudence prescribed by NYPMIFA.

The Conservancy's board of trustees has authorized a policy designed to preserve the value of these pooled investments in real terms (after inflation) and provide a predictable flow of funds to support operations. The Conservancy's investment pool includes contributions, interest, dividends, and realized and unrealized gains and losses, net of investment management fees. The policy permits the use of a spending rate of up to a maximum of 6% applied to a moving average of the value of the investment pool as of December 31 of the five previous years. In both fiscal years 2016 and 2015, the Conservancy utilized a rate of 5% of the total investment pool. In fiscal years 2016 and 2015, the related amounts that were used to support operations were \$7,686 and \$6,908, respectively.

In general terms, the Conservancy's investment objective is to seek maximum total return—defined as dividend and interest earnings plus any appreciation in market value—consistent with agreed-upon levels of risk. More specifically, the Conservancy seeks returns large enough to provide an additional return beyond the sum of the current spending rate and provisions for inflation.

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or the law requires to retain as a fund of perpetual duration. This results from unfavorable market fluctuations subsequent to the investment of permanently restricted contributions. Subsequent gains that restore the fair value of the assets of the donor-restricted endowment fund to the required level will be classified as an increase in unrestricted net assets. Any changes to the fair value of such deficiencies are reported as a net underwater adjustment in the following table of endowment activity for the years ended June 30, 2016 and 2015. There were no such deficiencies at June 30, 2016 and 2015.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

Endowment Net Assets

The following tables reflect the activity in the net asset classes of the Conservancy's donor-restricted and board-designated endowment funds:

	Year ended June 30, 2016			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, June 30, 2015	\$ 57,786	49,778	90,648	198,212
Investment income	75	150	—	225
Net depreciation (realized and unrealized)	<u>(1,183)</u>	<u>(2,342)</u>	<u>(976)</u>	<u>(4,501)</u>
Return on investment, net	<u>(1,108)</u>	<u>(2,192)</u>	<u>(976)</u>	<u>(4,276)</u>
Contributions	103	—	2,807	2,910
Change in designation	—	—	—	—
Appropriation of endowment assets for expenditure	<u>(1,678)</u>	<u>(6,008)</u>	<u>—</u>	<u>(7,686)</u>
Endowment net assets, June 30, 2016	<u>\$ 55,103</u>	<u>41,578</u>	<u>92,479</u>	<u>189,160</u>
Composition of endowment as of June 30, 2016:				
Donor-restricted endowment funds	\$ —	41,578	92,479	134,057
Board-designated endowment funds	<u>55,103</u>	<u>—</u>	<u>—</u>	<u>55,103</u>
	<u>\$ 55,103</u>	<u>41,578</u>	<u>92,479</u>	<u>189,160</u>

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

	Year ended June 30, 2015			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, June 30, 2014	\$ 56,572	54,677	88,706	199,955
Investment income	951	2,265	—	3,216
Net depreciation (realized and unrealized)	(832)	(1,608)	(925)	(3,365)
Return on investment, net	119	657	(925)	(149)
Contributions	39	—	2,643	2,682
Change in designation	2,408	—	224	2,632
Appropriation of endowment assets for expenditure	(1,352)	(5,556)	—	(6,908)
Endowment net assets, June 30, 2015	<u>\$ 57,786</u>	<u>49,778</u>	<u>90,648</u>	<u>198,212</u>
Composition of endowment as of June 30, 2015:				
Donor-restricted endowment funds	\$ —	49,778	90,648	140,426
Board-designated endowment funds	57,786	—	—	57,786
	<u>\$ 57,786</u>	<u>49,778</u>	<u>90,648</u>	<u>198,212</u>

(8) Other Revenue, Contributed Services, and Facilities

A summary of other revenue at June 30, 2016 and 2015 is as follows:

	2016	2015
Merchandise sales, program revenue, and fees	\$ 975	545
Contributed services and facilities	687	925
	<u>\$ 1,662</u>	<u>1,470</u>

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

The fair value of the contributed services and facilities is included as other revenue and allocated to functional expenses in the statements of activities as follows:

	<u>2016</u>	<u>2015</u>
Planning, design, and construction	\$ 52	30
Horticulture, maintenance, and operations	133	112
Visitor experience	212	507
Helping other parks	68	57
Fund-raising	171	189
Management and general	51	30
	<u>\$ 687</u>	<u>925</u>

In addition, many individuals have volunteered their time to the Conservancy. The value of these services is not included in the accompanying financial statements.

(9) Retirement Plan

The Conservancy has a defined-contribution retirement plan (the Plan) under Section 403(b) of the Internal Revenue Code in which all employees, as defined, are eligible to participate. In fiscal year 2010, the Conservancy amended the Plan by adding a new mutual fund platform to the existing annuity product. This change was implemented to enhance and create a more competitive retirement plan. Participants may make voluntary contributions, subject to plan limitations, to be applied toward the mutual fund platform. Contributions no longer flow into the annuity platform.

The Conservancy is obligated to contribute 5% of the employee's base compensation, for all eligible employees, as defined. The Conservancy is also obligated to match employee contributions up to a maximum of 1% of the employee's base compensation, for all eligible employees, as defined. For the years ended June 30, 2016 and 2015, the Conservancy contributed \$1,384 and \$1,388, respectively, to the Plan on behalf of its employees. All contributions vest immediately.

In fiscal year 2007, the Conservancy implemented a deferred compensation plan (the Plan) under Section 457(b) of the Internal Revenue Code in which the Conservancy will contribute \$18 per annum for each officer of the Conservancy, as defined. For both the years ended June 30, 2016 and 2015, the Conservancy contributed \$144 to the Plan

(10) Commitments and Contingencies

(a) Lease

Effective July 1, 2011, the Conservancy extended the terms of its existing lease agreement to include additional office space in New York City. The extension expires in 2023. Annual lease payments include minimum base rent subject to escalation charges and a proportionate share of any increase in real estate taxes.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

Future minimum lease payments are as follows:

	<u>Amount</u>
Year ending June 30:	
2017	\$ 1,270
2018	1,296
2019	1,311
2020	1,360
2021	1,385
Thereafter	<u>2,423</u>
	<u>\$ 9,045</u>

Rent expense for the years ended June 30, 2016 and 2015 was \$1,317 and \$1,295, respectively.

(b) Other

The Conservancy is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of the Conservancy's management, the ultimate disposition of these matters will not have a material adverse effect on the Conservancy's financial condition. As described in an agreement between the City of New York, Department of Parks and Recreation, and the Conservancy dated April 28, 2006 and renewed May 13, 2013 (the agreement), the City of New York has agreed to indemnify and hold harmless the Conservancy for all services performed and activities conducted by the Conservancy pursuant to the agreement.

(11) Contract Revenue

In April 2006, the Conservancy renewed its eight-year management contract with the City of New York and the Department of Parks and Recreation, retroactive to July 1, 2005. Commencing on July 1, 2005, in order to be entitled to payments from the Department of Parks and Recreation, the Conservancy must raise and expend annually a minimum of \$5,000 for maintenance and repairs, public programs, landscaping and rehabilitation, or repair of existing facilities, subject to certain exclusions. In exchange for meeting those requirements, the Department of Parks and Recreation will pay the Conservancy a minimum of \$1,000, which is required by contract to be expended for specific services. This minimum payment can be increased up to a maximum of \$2,000 by formula, based on the amount by which the Conservancy exceeds its \$5,000 threshold in any one year.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2016 and 2015

(Dollars in thousands)

Under this contract, the Conservancy was entitled to a payment equal to a portion of concession revenue earned in Central Park. The Conservancy received an amount equal to 50% of concession revenue earned, measured as of the previous fiscal year.

In May 2013, the Conservancy renewed its management contract with the City of New York and the Department of Parks and Recreation, to provide services specified for operating, maintaining, repairing, restoring and providing programming in Central Park, and outside Central Park, for a ten year period beginning July 1, 2013 and expiring June 30, 2023, with two additional five year renewals available after the initial ten year term has expired. The only material change in the renewed contract is the omission of the \$6,000 threshold on concession revenue. Additional revenue related to concessions, above the base fee, received by the Conservancy for fiscal years 2016 and 2015 was \$6,208 and \$7,101, respectively. The contractual arrangement may only be terminated under specific conditions outlined in the agreement.

The Conservancy recognizes revenue in connection with this contract as expenditures are made for specific services. In fiscal years 2016 and 2015, the Conservancy recognized as revenue and expended \$8,208 and \$9,101, respectively, related to the contract. At June 30, 2016 and 2015, the related receivable was \$4,104 and \$4,550, respectively.

Project Revenue

In March 2007, the Conservancy entered into a contract for capital projects for the Campaign for Central Park with the City of New York and the Department of Parks and Recreation, retroactive to July 1, 2006. Payment is on a reimbursement basis for eligible expenses incurred by the Conservancy, with the Funds made available at a rate of up to \$3,571 annually for seven years beginning in fiscal year 2007. In February 2016, the Conservancy was granted an extension of this contract through August 31, 2016. The Conservancy recognizes revenue in connection with this contract as expenditures are made. In fiscal year 2015, the Conservancy recognized \$37, for project revenue under the campaign.

In May 2013, the Conservancy entered into a ten year contract for capital projects with the City of New York and the Department of Parks and Recreation for restoration projects throughout the park. Payment is on a reimbursement basis for eligible expenses incurred by the Conservancy, with the Funds made available at a rate of up to \$6,000 per year beginning July 1, 2014 and expiring June 30, 2023. The Conservancy recognizes revenue in connection with this contract as expenditures are made. In fiscal year 2016, the Conservancy recognized \$2,386 for project revenue.

(12) Subsequent Events

In connection with the preparation of the financial statements, the Conservancy evaluated subsequent events after the balance sheet date of June 30, 2016 through November 22, 2016, which was the date the financial statements were available to be issued, and concluded that no additional disclosures were necessary.

CENTRAL PARK CONSERVANCY, INC.

Schedule of Functional Expenses

Year ended June 30, 2016

(with comparative summarized totals for 2015)

(Dollars in thousands)

	Program services					Supporting services			Total expenses*	
	Planning, design, and construction	Horticulture, maintenance, and operations	Visitor experience	Helping other parks	Total	Fund- raising	Management and general	Total	2016	2015
Salaries	\$ 2,481	11,722	2,534	2,300	19,037	3,363	3,469	6,832	25,869	23,809
Payroll taxes and employee benefits	740	3,381	748	696	5,565	1,001	1,028	2,029	7,594	7,295
Total salaries and related expenses	3,221	15,103	3,282	2,996	24,602	4,364	4,497	8,861	33,463	31,104
Contracted services:										
Construction and design	13,900	268	—	—	14,168	—	—	—	14,168	14,014
Landscape	—	2,424	—	—	2,424	—	—	—	2,424	1,920
Facilities maintenance	12	1,436	8	73	1,529	27	8	35	1,564	1,538
Consulting	422	122	410	325	1,279	747	394	1,141	2,420	2,700
Mailings	—	—	—	—	—	485	2	487	487	431
Other	25	49	31	16	121	523	17	540	661	641
Total contracted services	14,359	4,299	449	414	19,521	1,782	421	2,203	21,724	21,244
Grant awards	20	449	—	280	749	—	—	—	749	539
Materials, equipment, and supplies	1,417	1,583	438	40	3,478	91	19	110	3,588	3,960
Printing and publications	25	2	80	46	153	167	44	211	364	405
Conferences, conventions, and meetings	34	49	38	47	168	41	26	67	235	185
Postage, shipping, and messenger	78	73	43	4	198	280	16	296	494	451
Travel	4	18	1	4	27	16	5	21	48	29
Equipment maintenance and rentals	183	741	65	96	1,085	205	133	338	1,423	1,150
Insurance	45	95	38	42	220	121	38	159	379	378
Occupancy	200	416	166	183	965	532	166	698	1,663	1,625
Advertising	2	—	13	12	27	28	4	32	59	34
Miscellaneous	28	184	51	27	290	64	48	112	402	417
Bad debt	16	—	—	—	16	—	—	—	16	25
Contributed services	52	133	212	68	465	171	51	222	687	925
	2,104	3,743	1,145	849	7,841	1,716	550	2,266	10,107	10,123
Total expenses before depreciation and amortization	19,684	23,145	4,876	4,259	51,964	7,862	5,468	13,330	65,294	62,471
Depreciation and amortization	209	408	34	129	780	80	303	383	1,163	1,071
Total expenses* – 2016	\$ 19,893	23,553	4,910	4,388	52,744	7,942	5,771	13,713	66,457	63,542
Total expenses* – 2015	\$ 19,373	22,099	5,211	3,991	50,674	7,278	5,590	12,868	—	63,542

* Exclusive of direct donor benefits and investment expenses.

See accompanying independent auditors' report.