



CENTRAL PARK CONSERVANCY, INC.

Financial Statements and Schedule

June 30, 2018 and 2017

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 200
1305 Walt Whitman Road
Melville, NY 11747-4302

Independent Auditors' Report

The Board of Trustees
Central Park Conservancy, Inc.:

We have audited the accompanying financial statements of the Central Park Conservancy, Inc. (the Conservancy), which comprise the balance sheets as of June 30, 2018 and 2017, 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 the Central Park Conservancy, Inc. as of June 30, 2018 and 2017, 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

October 9, 2018

CENTRAL PARK CONSERVANCY, INC.

Balance Sheets

June 30, 2018 and 2017

(Dollars in thousands)

Assets	2018	2017
Cash	\$ 11,489	5,406
Short-term investments (note 3)	41,116	49,165
Accounts receivable (note 11)	9,859	8,417
Prepaid expenses and other assets	1,365	1,313
Contributions receivable, net (note 4)	29,380	36,614
Investments held for endowment (note 3)	241,287	219,646
Other long-term investments (note 3)	50,337	44,355
Investments held under split-interest agreements	1,651	1,101
457(b) deferred compensation plan (note 9)	1,912	1,606
Fixed assets, net (note 5)	3,123	3,959
Total assets	<u>\$ 391,519</u>	<u>371,582</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 11,850	8,234
Liabilities under split-interest agreements	1,223	752
Other liabilities	566	625
457(b) deferred compensation plan liability (note 9)	1,912	1,606
Total liabilities	<u>15,551</u>	<u>11,217</u>
Net assets (deficit):		
Unrestricted:		
Available for operations	410	(1,720)
Board designated (notes 6 and 7)	87,867	87,618
Total unrestricted	88,277	85,898
Temporarily restricted (notes 6 and 7)	187,620	177,685
Permanently restricted (notes 6 and 7)	100,071	96,782
Total net assets	<u>375,968</u>	<u>360,365</u>
Total liabilities and net assets	<u>\$ 391,519</u>	<u>371,582</u>

See accompanying notes to financial statements.

CENTRAL PARK CONSERVANCY, INC.

Statement of Activities

Year ended June 30, 2018

(with comparative summarized totals for 2017)

(Dollars in thousands)

	Unrestricted		Temporarily restricted	Permanently restricted	Totals		
	Operations	Board designated			Total unrestricted	2018	2017
Revenue, gains (losses), and other support:							
Contributions (notes 3 and 4)	\$ 16,152	2,124	18,276	24,251	2,651	45,178	59,578
Revenue from the City of New York:							
Contract revenue (note 11)	8,663	—	8,663	—	—	8,663	8,820
Project revenue (note 11)	2,963	—	2,963	—	—	2,963	4,064
Special events revenue	7,383	—	7,383	—	—	7,383	6,190
Less expenses incurred for direct donor benefits	(1,514)	—	(1,514)	—	—	(1,514)	(1,355)
Special events revenue, net	5,869	—	5,869	—	—	5,869	4,835
Interest and dividends, net of investment expenses of \$4,864 in 2018	551	117	668	190	—	858	416
Net (depreciation) appreciation in fair value on investments	(196)	5,635	5,439	8,862	638	14,939	29,498
Change in value of split-interest agreements	—	(252)	(252)	—	—	(252)	(74)
Other (note 8)	3,042	—	3,042	—	—	3,042	2,171
Total revenue and gains	37,044	7,624	44,668	33,303	3,289	81,260	109,308
Net assets released from restrictions:							
Contributions and other revenue	28,159	(6,693)	21,466	(21,466)	—	—	—
Administrative cost recovery	2,984	(1,082)	1,902	(1,902)	—	—	—
Total net assets released from restrictions	31,143	(7,775)	23,368	(23,368)	—	—	—
Total revenue, gains (losses), and other support	68,187	(151)	68,036	9,935	3,289	81,260	109,308
Expenses:							
Program services:							
Planning, design, and construction	20,157	—	20,157	—	—	20,157	21,245
Horticulture, maintenance, and operations	22,042	—	22,042	—	—	22,042	24,317
Visitor experience	3,978	—	3,978	—	—	3,978	5,056
Helping other parks	4,962	—	4,962	—	—	4,962	4,313
Total program services	51,139	—	51,139	—	—	51,139	54,931
Supporting services:							
Fund-raising	7,459	—	7,459	—	—	7,459	8,116
Management and general	7,059	—	7,059	—	—	7,059	6,033
Total supporting services	14,518	—	14,518	—	—	14,518	14,149
Total expenses	65,657	—	65,657	—	—	65,657	69,080
Increase in net assets before transfers	2,530	(151)	2,379	9,935	3,289	15,603	40,228
Transfers	(400)	400	—	—	—	—	—
Increase in net assets	2,130	249	2,379	9,935	3,289	15,603	40,228
Net assets (deficit) at beginning of year	(1,720)	87,618	85,898	177,685	96,782	360,365	320,137
Net assets at end of year	\$ 410	87,867	88,277	187,620	100,071	375,968	360,365

See accompanying notes to financial statements.

CENTRAL PARK CONSERVANCY, INC.

Statement of Activities

Year ended June 30, 2017

(Dollars in thousands)

	Unrestricted		Temporarily restricted	Permanently restricted	Totals 2017	
	Operations	Board designated				Total unrestricted
Revenue, gains (losses), and other support:						
Contributions (notes 3 and 4)	\$ 15,430	8,146	23,576	33,102	2,900	59,578
Revenue from the City of New York:						
Contract revenue (note 11)	8,820	—	8,820	—	—	8,820
Project revenue (note 11)	4,064	—	4,064	—	—	4,064
Special events revenue	6,190	—	6,190	—	—	6,190
Less expenses incurred for direct donor benefits	(1,355)	—	(1,355)	—	—	(1,355)
Special events revenue, net	4,835	—	4,835	—	—	4,835
Interest and dividends, net of investment expenses of \$4,600 in 2017	253	69	322	94	—	416
Net appreciation (depreciation) in fair value on investments	(307)	9,324	9,017	19,078	1,403	29,498
Change in value of split-interest agreements	—	(74)	(74)	—	—	(74)
Other (note 8)	2,171	—	2,171	—	—	2,171
Total revenue and gains	35,266	17,465	52,731	52,274	4,303	109,308
Net assets released from restrictions:						
Contributions and other revenue	30,110	(8,479)	21,631	(21,631)	—	—
Administrative cost recovery	3,155	(1,374)	1,781	(1,781)	—	—
Total net assets released from restrictions	33,265	(9,853)	23,412	(23,412)	—	—
Total revenue, gains (losses), and other support	68,531	7,612	76,143	28,862	4,303	109,308
Expenses:						
Program services:						
Planning, design, and construction	21,245	—	21,245	—	—	21,245
Horticulture, maintenance, and operations	24,317	—	24,317	—	—	24,317
Visitor experience	5,056	—	5,056	—	—	5,056
Helping other parks	4,313	—	4,313	—	—	4,313
Total program services	54,931	—	54,931	—	—	54,931
Supporting services:						
Fund-raising	8,116	—	8,116	—	—	8,116
Management and general	6,033	—	6,033	—	—	6,033
Total supporting services	14,149	—	14,149	—	—	14,149
Total expenses	69,080	—	69,080	—	—	69,080
Increase (decrease) in net assets before transfers	(549)	7,612	7,063	28,862	4,303	40,228
Transfers	(1,400)	1,400	—	—	—	—
Increase (decrease) in net assets	(1,949)	9,012	7,063	28,862	4,303	40,228
Net assets at beginning of year	229	78,606	78,835	148,823	92,479	320,137
Net assets at end of year	\$ (1,720)	87,618	85,898	177,685	96,782	360,365

See accompanying notes to financial statements.

CENTRAL PARK CONSERVANCY, INC.

Statements of Cash Flows

Years ended June 30, 2018 and 2017

(Dollars in thousands)

	2018	2017
Cash flows from operating activities:		
Increase in net assets	\$ 15,603	40,228
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,208	1,180
Net appreciation in fair value on investments	(14,939)	(29,498)
Change in value of split-interest agreements	252	74
Permanently restricted contributions and earnings classified as financing activities	(3,289)	(4,303)
Changes in operating assets and liabilities:		
Increase in accounts receivable	(1,442)	(615)
(Increase) decrease in prepaid expenses and other assets	(52)	35
Decrease (increase) in contributions receivable, net of amounts classified as financing activities	7,234	(10,935)
Increase in accounts payable and accrued expenses	3,616	584
Decrease in other liabilities	(59)	(33)
Net cash provided by (used in) operating activities	8,132	(3,283)
Cash flows from investing activities:		
Proceeds from sale of investments	167,701	208,768
Purchases of investments	(173,267)	(210,724)
Acquisition of fixed assets	(241)	(1,167)
Net cash used in investing activities	(5,807)	(3,123)
Cash flows from financing activities:		
Permanently restricted contributions and earnings	3,289	4,303
Decrease in permanently restricted contributions receivable	(2)	103
Net change in liabilities under split-interest agreements	471	(23)
Net cash provided by financing activities	3,758	4,383
Net increase (decrease) in cash	6,083	(2,023)
Cash at beginning of year	5,406	7,429
Cash at end of year	\$ 11,489	5,406

See accompanying notes to financial statements.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2018 and 2017

(Dollars in thousands)

(1) Organization

The 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 (NYC), 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, through the Central Park Conservancy Institute for Urban Parks, 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 of accounting.

(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 (losses), and other support are reported as increases (decreases) 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, 2018 and 2017

(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 Codification (ASC) Topic 820, *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). ASC Topic 820 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, 2018 and 2017

(Dollars in thousands)

(f) Income Taxes

The Conservancy follows the provisions of ASC Topic 740, *Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities* (ASC Topic 740), 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, 2018 and 2017.

(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.

(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.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2018 and 2017

(Dollars in thousands)

(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 allowances for doubtful accounts, the valuation of investments, the allocation of functional expenses, 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) Recent Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 amends the financial reporting requirements under ASC 958-205 and includes revisions to the classifications of net assets and expanded disclosures on liquidity. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018. The Organization is evaluating the impact of this new standard on its consolidated financial statements.

(3) Investments

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

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2018 and 2017

(Dollars in thousands)

A summary of the fair value of investments at June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Short-term investments:		
U.S. Treasury and money market funds	\$ 41,116	49,165
Investments held for endowment:		
U.S. Treasury money market funds	\$ 25,049	18,649
Domestic equities	11,261	10,997
Foreign equities	27,800	31,341
	<u>64,110</u>	<u>60,987</u>
Investments reported at NAV (or its equivalent):		
Real estate	40,819	35,995
Absolute return	44,143	43,396
Domestic equities	74,310	61,645
Foreign equities	17,905	17,623
	<u>177,177</u>	<u>158,659</u>
Total investments reported at NAV (or its equivalent)	<u>177,177</u>	<u>158,659</u>
Total investments held for endowment	\$ <u>241,287</u>	<u>219,646</u>
Other long term investments:		
U.S. Treasury money market funds	\$ 386	59
U.S. Treasury bonds	25,884	14,273
	<u>26,270</u>	<u>14,332</u>
Investments reported at NAV (or its equivalent):		
Absolute return	1,937	13,379
Domestic equities	9,187	12,698
Other	12,943	3,946
	<u>24,067</u>	<u>30,023</u>
Total investments reported at NAV (or its equivalent)	<u>24,067</u>	<u>30,023</u>
Total other long term investments	\$ <u>50,337</u>	<u>44,355</u>

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, 2018, the Conservancy committed approximately 69% of the total investment balance in alternative investments.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2018 and 2017

(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 as of June 30, 2018:

	2018			
	<u>Fair value</u>	<u>Unfunded commitments</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Investments held for endowment at NAV:				
Real estate	\$ 40,819	12,745	None	Not applicable
Absolute return	44,143	—	None	Not applicable
Domestic equities	74,310	43,268	Quarterly	60 days
Foreign equities	17,905	—	Weekly, none	7 days, not applicable
	<u>\$ 177,177</u>	<u>56,013</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 agreed 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 agreed 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. In fiscal year 2018, the Conservancy redeemed 10% of the shares in the funds.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2018 and 2017

(Dollars in thousands)

(4) Contributions Receivable

Contributions receivable at June 30, 2018 and 2017 are due to be collected as follows:

	<u>2018</u>	<u>2017</u>
Less than one year	\$ 11,596	16,869
One to five years	16,817	18,939
Five years and thereafter	<u>1,914</u>	<u>1,743</u>
	30,327	37,551
Allowance	(288)	(288)
Discount to present value (at rates ranging from 0.72% to 4.92%)	<u>(659)</u>	<u>(649)</u>
Contributions receivable, net	<u>\$ 29,380</u>	<u>36,614</u>

Three donors comprised approximately 44% and 53% of total contribution revenue for the years ended June 30, 2018 and 2017, respectively.

(5) Fixed Assets

A summary of fixed assets at June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>	<u>Estimated useful lives</u>
Furniture and fixtures	\$ 1,403	1,400	5 to 10 years
Office and field equipment	9,636	9,398	3 to 5 years
Leasehold improvements	<u>2,270</u>	<u>2,270</u>	10 years
	13,309	13,068	
Less accumulated depreciation and amortization	<u>(10,186)</u>	<u>(9,109)</u>	
	<u>\$ 3,123</u>	<u>3,959</u>	

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2018 and 2017

(Dollars in thousands)

(6) Net Assets

(a) Unrestricted – Board-Designated

Unrestricted – board-designated net assets are available for the following purposes at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Planning, design, and construction	\$ 32,295	34,660
Horticulture, maintenance, and operations	11,133	10,552
Visitor experience	144	138
General purposes	44,295	42,268
	<u>\$ 87,867</u>	<u>87,618</u>

(b) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Planning, design, and construction	\$ 116,063	113,434
Horticulture, maintenance, and operations	58,904	53,269
Visitor experience	3,285	3,046
Helping other parks	2,254	3,913
General purposes	7,114	4,023
	<u>\$ 187,620</u>	<u>177,685</u>

(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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Horticulture, maintenance, and operations	\$ 90,025	87,016
Visitor experience	5,820	5,643
General purposes	4,226	4,123
	<u>\$ 100,071</u>	<u>96,782</u>

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2018 and 2017

(Dollars in thousands)

(7) Endowment Funds

The Conservancy's endowment consists of 86 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Conservancy to function as endowments.

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 fiscal years 2018 and 2017, the Conservancy utilized a rate of 4.5% and 5%, respectively, of the total investment pool. In fiscal years 2018 and 2017, the related amounts that were used to support operations were \$8,332 and \$8,392, 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.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2018 and 2017

(Dollars in thousands)

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, 2018 and 2017. There were no such deficiencies at June 30, 2018 and 2017.

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, 2018			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, June 30, 2017	\$ 61,699	55,514	96,782	213,995
Investment income, net	97	198	—	295
Net appreciation (realized and unrealized)	5,143	11,882	638	17,663
Return on investment, net	5,240	12,080	638	17,958
Contributions	188	—	2,651	2,839
Appropriation of endowment assets for expenditure	(2,192)	(6,002)	—	(8,194)
Endowment net assets, June 30, 2018	<u>\$ 64,935</u>	<u>61,592</u>	<u>100,071</u>	<u>226,598</u>
Composition of endowment as of June 30, 2018:				
Donor-restricted endowment funds	\$ —	61,592	100,071	161,663
Board-designated endowment funds	64,935	—	—	64,935
	<u>\$ 64,935</u>	<u>61,592</u>	<u>100,071</u>	<u>226,598</u>

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2018 and 2017

(Dollars in thousands)

	Year ended June 30, 2017			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, June 30, 2016	\$ 55,103	41,578	92,479	189,160
Investment income, net	52	94	—	146
Net appreciation (realized and unrealized)	8,494	20,240	1,403	30,137
Return on investment, net	8,546	20,334	1,403	30,283
Contributions	44	—	2,900	2,944
Appropriation of endowment assets for expenditure	(1,994)	(6,398)	—	(8,392)
Endowment net assets, June 30, 2017	<u>\$ 61,699</u>	<u>55,514</u>	<u>96,782</u>	<u>213,995</u>
Composition of endowment as of June 30, 2017:				
Donor-restricted endowment funds	\$ —	55,514	96,782	152,296
Board-designated endowment funds	61,699	—	—	61,699
	<u>\$ 61,699</u>	<u>55,514</u>	<u>96,782</u>	<u>213,995</u>

(8) Other Revenue, Contributed Services, and Facilities

A summary of other revenue at June 30, 2018 and 2017 is as follows:

	2018	2017
Merchandise sales, program revenue, and fees	\$ 2,364	1,472
Contributed services and facilities	678	699
	<u>\$ 3,042</u>	<u>2,171</u>

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2018 and 2017

(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>2018</u>	<u>2017</u>
Planning, design, and construction	\$ 65	67
Horticulture, maintenance, and operations	147	150
Visitor experience	157	158
Helping other parks	74	76
Fund-raising	170	158
Management and general	<u>65</u>	<u>90</u>
	<u>\$ 678</u>	<u>699</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. Participants may make voluntary contributions, subject to plan limitations, to be applied toward the mutual fund 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, 2018 and 2017, the Conservancy contributed \$1,558 and \$1,779, respectively, to the Plan on behalf of its employees. All contributions vest immediately.

The Conservancy has a deferred compensation plan (the Plan) under Section 457(b) of the Internal Revenue Code. For the years ended June 30, 2018 and 2017, a contribution for each officer of \$18.5 and \$18, respectively, was contributed as defined in the Plan. The Conservancy contributed \$167 and \$144, respectively, 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, 2018 and 2017

(Dollars in thousands)

Future minimum lease payments are as follows:

	<u>Amount</u>
Year ending June 30:	
2019	\$ 1,311
2020	1,360
2021	1,385
2022	1,385
2023	<u>1,038</u>
	<u>\$ 6,479</u>

Rent expense for the years ended June 30, 2018 and 2017 was \$1,441 and \$1,351, 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 May 2013, the City of New York (the City) awarded a new management agreement (the Agreement) to the Conservancy, affirming its' more than 33-year partnership with the Conservancy in jointly managing Central Park. Pursuant to the Agreement, the Conservancy is responsible for operating, maintaining, repairing and restoring Central Park, along with certain areas outside Central Park, for a ten-year period, July 1, 2013 through June 30, 2023, with two additional 5-year renewal terms, upon the agreement of the parties.

Under the Agreement, the Conservancy must raise and expend annually a minimum of \$7 million with respect to maintenance, repairs, programming, visitor services, landscaping and renovations. In exchange for meeting this requirement, the City will pay the Conservancy a minimum of \$2 million plus an amount equal to 50% of annual concession revenues derived by the City from concessions and special events in Central Park. 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 2018 and 2017, the Conservancy recognized as revenue and expended \$8,663 and \$8,820, respectively, related to the contract. At June 30, 2018 and 2017, the related receivable was \$2,166 and \$4,410, respectively.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2018 and 2017

(Dollars in thousands)

Project Revenue

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 2018 and 2017, the Conservancy recognized \$2,963 and \$4,064, respectively, 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, 2018 through October 9, 2018 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, 2018

(with comparative summarized totals for 2017)

(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	2018	2017
Salaries	\$ 2,792	10,619	1,765	2,209	17,385	3,136	4,187	7,323	24,708	26,295
Payroll taxes and employee benefits	871	3,436	591	696	5,594	992	1,113	2,105	7,699	8,780
Total salaries and related expenses	3,663	14,055	2,356	2,905	22,979	4,128	5,300	9,428	32,407	35,075
Contracted services:										
Construction and design	13,612	849	—	274	14,735	—	—	—	14,735	15,585
Landscape	—	1,973	—	—	1,973	—	—	—	1,973	2,045
Facilities maintenance	13	1,032	11	70	1,126	35	11	46	1,172	1,291
Consulting	1,028	148	287	394	1,857	716	784	1,500	3,357	2,373
Mailings	—	—	—	—	—	465	4	469	469	533
Other	23	38	41	25	127	531	26	557	684	654
Total contracted services	14,676	4,040	339	763	19,818	1,747	825	2,572	22,390	22,481
Grant awards	23	405	40	565	1,033	—	—	—	1,033	890
Materials, equipment, and supplies	934	1,500	631	56	3,121	60	16	76	3,197	3,596
Printing and publications	42	—	44	13	99	99	48	147	246	289
Conferences, conventions, and meetings	40	47	20	92	199	24	75	99	298	177
Postage, shipping, and messenger	61	46	27	4	138	198	20	218	356	518
Travel	8	23	1	15	47	11	7	18	65	39
Equipment maintenance and rentals	87	524	75	96	782	201	102	303	1,085	1,338
Insurance	44	91	37	40	212	117	37	154	366	357
Occupancy	208	438	173	191	1,010	555	173	728	1,738	1,717
Advertising	—	—	13	3	16	8	46	54	70	65
Miscellaneous	40	179	36	30	285	85	73	158	443	432
Bad debt	63	—	—	—	63	14	—	14	77	227
Contributed services	65	147	157	74	443	170	65	235	678	699
	1,615	3,400	1,254	1,179	7,448	1,542	662	2,204	9,652	10,344
Total expenses before depreciation and amortization	19,954	21,495	3,949	4,847	50,245	7,417	6,787	14,204	64,449	67,900
Depreciation and amortization	203	547	29	115	894	42	272	314	1,208	1,180
Total expenses* – 2018	\$ 20,157	22,042	3,978	4,962	51,139	7,459	7,059	14,518	65,657	69,080
Total expenses* – 2017	\$ 21,245	24,317	5,056	4,313	54,931	8,116	6,033	14,149	69,080	

* Exclusive of direct donor benefits and investment expenses.

See accompanying independent auditors' report.