



CENTRAL PARK CONSERVANCY, INC.

Financial Statements

June 30, 2019 and 2018

(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, 2019 and 2018, and the related statements of activities, 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 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, 2019 and 2018, 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.



Emphasis of Matter

As discussed in Note 2(m) to the financial statements, during the year ended June 30, 2019, the Conservancy adopted Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities* (ASU 2016-14). The amendments have been adopted and applied by the Conservancy on a retrospective basis for the fiscal year ended June 30, 2018. Our opinion is not modified with respect to this matter.

KPMG LLP

October 11, 2019

CENTRAL PARK CONSERVANCY, INC.

Balance Sheets

June 30, 2019 and 2018

(Dollars in thousands)

Assets	2019	2018
Cash	\$ 1,759	11,489
Short-term investments (note 3)	61,651	41,116
Accounts receivable (note 11)	11,565	9,859
Prepaid expenses and other assets	1,435	1,365
Contributions receivable, net (note 4)	19,925	29,380
Investments held by endowment (note 3)	241,150	241,287
Other long-term investments (note 3)	44,911	50,337
Investments held under split-interest agreements	1,571	1,651
457(b) deferred compensation plan (note 9)	2,188	1,912
Fixed assets, net (note 5)	2,835	3,123
Total assets	\$ 388,990	391,519
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 11,226	8,731
Deferred revenue (note 13)	13,113	3,119
Liabilities under split-interest agreements	1,125	1,223
Other liabilities	492	566
457(b) deferred compensation plan liability (note 9)	2,188	1,912
Total liabilities	28,144	15,551
Net assets:		
Without donor restrictions:		
Available for operations	10,037	410
Held for long term purposes (notes 6 and 7)	17,549	16,634
Board designated as quasi-endowments (notes 6 and 7)	68,188	71,233
Total net assets without donor restrictions	95,774	88,277
With donor restrictions:		
Time and purpose (notes 6 and 7)	102,285	123,100
For endowment (notes 6 and 7)	162,787	164,591
Total net assets with donor restrictions	265,072	287,691
Total net assets	360,846	375,968
Total liabilities and net assets	\$ 388,990	391,519

See accompanying notes to financial statements.

CENTRAL PARK CONSERVANCY, INC.

Statement of Activities

Year ended June 30, 2019

(with comparative summarized totals for 2018)

(Dollars in thousands)

	Without donor restrictions			With donor restrictions	Total	
	Operations	Board	Total		2019	2018
		designated				
Revenue, gains (losses), and other support:						
Contributions (notes 3 and 4)	\$ 21,683	2,059	23,742	12,489	36,231	45,178
Contributions, Harlem Meer outdoor center (note 13)	—	—	—	2,278	2,278	—
Revenue from the City of New York:						
Contract revenue (note 11)	8,879	—	8,879	—	8,879	8,663
Project revenue (note 11)	858	—	858	—	858	2,963
Special events revenue	6,090	—	6,090	—	6,090	7,383
Less expenses incurred for direct donor benefits	(1,611)	—	(1,611)	—	(1,611)	(1,514)
Special events revenue, net	4,479	—	4,479	—	4,479	5,869
Investment return, net	1,687	(349)	1,338	2,346	3,684	15,797
Change in value of split-interest agreements	—	(20)	(20)	—	(20)	(252)
Other (note 8)	2,633	—	2,633	—	2,633	3,042
Total revenue and gains (losses)	40,219	1,690	41,909	17,113	59,022	81,260
Net assets released from restrictions:						
Contributions and other revenue	37,195	(3,696)	33,499	(33,499)	—	—
Release from restrictions Harlem Meer outdoor center (note 13)	2,278	—	2,278	(2,278)	—	—
Administrative cost recovery	4,479	(524)	3,955	(3,955)	—	—
Total net assets released from restrictions	43,952	(4,220)	39,732	(39,732)	—	—
Total revenue, gains (losses), and other support	84,171	(2,530)	81,641	(22,619)	59,022	81,260
Expenses:						
Program services:						
Planning, design, and construction:						
Core planning, design and construction	24,667	—	24,667	—	24,667	20,008
Harlem Meer outdoor center (note 13)	2,278	—	2,278	—	2,278	149
Park operations:						
Horticulture, maintenance, and operations	23,377	—	23,377	—	23,377	22,042
Visitor experience	4,163	—	4,163	—	4,163	3,978
Helping other parks	3,413	—	3,413	—	3,413	4,962
Total program services	57,898	—	57,898	—	57,898	51,139
Supporting services:						
Fund-raising	7,963	—	7,963	—	7,963	7,459
Management and general	8,283	—	8,283	—	8,283	7,059
Total supporting services	16,246	—	16,246	—	16,246	14,518
Total expenses	74,144	—	74,144	—	74,144	65,657
Increase (decrease) in net assets before transfers	10,027	(2,530)	7,497	(22,619)	(15,122)	15,603
Transfers	(400)	400	—	—	—	—
Increase (decrease) in net assets	9,627	(2,130)	7,497	(22,619)	(15,122)	15,603
Net assets at beginning of year (note 2(m))	410	87,867	88,277	287,691	375,968	360,365
Net assets at end of year	\$ 10,037	85,737	95,774	265,072	360,846	375,968

See accompanying notes to financial statements.

CENTRAL PARK CONSERVANCY, INC.

Statement of Activities
Year ended June 30, 2018
(Dollars in thousands)

	Without donor restrictions			With donor restrictions	Total 2018
	Operations	Board designated	Total		
Revenue, gains (losses), and other support:					
Contributions (notes 3 and 4)	\$ 16,152	2,124	18,276	26,902	45,178
Revenue from the City of New York:					
Contract revenue (note 11)	8,663	—	8,663	—	8,663
Project revenue (note 11)	2,963	—	2,963	—	2,963
Special events revenue	7,383	—	7,383	—	7,383
Less expenses incurred for direct donor benefits	(1,514)	—	(1,514)	—	(1,514)
Special events revenue, net	5,869	—	5,869	—	5,869
Investment return, net	355	5,752	6,107	9,690	15,797
Change in value of split-interest agreements	—	(252)	(252)	—	(252)
Other (note 8)	3,042	—	3,042	—	3,042
Total revenue and gains (losses)	37,044	7,624	44,668	36,592	81,260
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	13,224	81,260
Expenses:					
Program services:					
Planning, design, and construction:					
Core planning, design and construction	20,008	—	20,008	—	20,008
Harlem Meer outdoor center	149	—	149	—	149
Park operations:					
Horticulture, maintenance, and operations	22,042	—	22,042	—	22,042
Visitor experience	3,978	—	3,978	—	3,978
Helping other parks	4,962	—	4,962	—	4,962
Total program services	51,139	—	51,139	—	51,139
Supporting services:					
Fund-raising	7,459	—	7,459	—	7,459
Management and general	7,059	—	7,059	—	7,059
Total supporting services	14,518	—	14,518	—	14,518
Total expenses	65,657	—	65,657	—	65,657
Increase (decrease) in net assets before transfers	2,530	(151)	2,379	13,224	15,603
Transfers	(400)	400	—	—	—
Increase in net assets	2,130	249	2,379	13,224	15,603
Net assets (deficit) at beginning of year (note 2(m))	(1,720)	87,618	85,898	274,467	360,365
Net assets at end of year	\$ 410	87,867	88,277	287,691	375,968

See accompanying notes to financial statements.

CENTRAL PARK CONSERVANCY, INC.

Statement of Functional Expenses

Year ended June 30, 2019

(with comparative summarized totals for 2018)

(Dollars in thousands)

	Program services					Supporting services				Total	
	Planning, design and construction		Park operations			Fund-raising	Management and general		Total	2019	2018
	Core Planning, design, and construction	Harlem Meer Outdoor Center	Horticulture, maintenance, and operations	Visitor experience	Helping other parks						
Salaries	\$ 2,531	134	11,637	2,012	1,437	17,751	3,255	4,196	7,451	25,202	24,708
Payroll taxes and employee benefits	761	39	3,542	605	449	5,396	995	1,159	2,154	7,550	7,699
Total salaries and related expenses	3,292	173	15,179	2,617	1,886	23,147	4,250	5,355	9,605	32,752	32,407
Contracted services:											
Construction and design	15,758	2,078	513	—	58	18,407	—	—	—	18,407	14,735
Landscape	—	—	2,211	—	—	2,211	—	—	—	2,211	1,973
Facilities maintenance	12	—	1,130	9	82	1,233	30	9	39	1,272	1,172
Consulting	3,094	—	252	221	384	3,951	1,306	1,665	2,971	6,922	3,760
Mailings	—	—	—	—	—	—	381	4	385	385	469
Other	17	13	1	30	19	80	1,589	159	1,748	1,828	1,729
Total contracted services	18,881	2,091	4,107	260	543	25,882	3,306	1,837	5,143	31,025	23,838
Grant awards	32	—	254	—	321	607	—	—	—	607	1,033
Materials, equipment, and supplies	1,456	6	1,476	622	34	3,594	118	24	142	3,736	3,203
Printing and publications	33	3	1	67	1	105	163	48	211	316	304
Conferences, conventions, and meetings	41	2	56	27	87	213	35	181	216	429	300
Postage, shipping, and messenger	59	1	65	31	3	159	314	21	335	494	356
Travel	13	2	20	2	6	43	8	10	18	61	65
Equipment maintenance and rentals	167	—	839	99	108	1,213	272	128	400	1,613	1,085
Insurance	48	—	99	40	44	231	127	39	166	397	366
Occupancy	261	—	464	184	202	1,111	587	184	771	1,882	1,738
Advertising	—	—	1	12	6	19	21	42	63	82	70
Miscellaneous	30	—	191	38	17	276	68	80	148	424	443
Bad debt	39	—	—	—	—	39	—	—	—	39	77
Contributed services	67	—	138	142	70	417	271	67	338	755	678
	2,246	14	3,604	1,264	899	8,027	1,984	824	2,808	10,835	9,718
Total expenses before depreciation and amortization	24,419	2,278	22,890	4,141	3,328	57,056	9,540	8,016	17,556	74,612	65,963
Depreciation and amortization	248	—	487	22	85	842	34	267	301	1,143	1,208
Total expenses inclusive of direct donor benefits	24,667	2,278	23,377	4,163	3,413	57,898	9,574	8,283	17,857	75,755	67,171
Less: Expenses incurred for direct donor benefits	—	—	—	—	—	—	(1,611)	—	(1,611)	(1,611)	(1,514)
Total expenses – 2019	\$ 24,667	2,278	23,377	4,163	3,413	57,898	7,963	8,283	16,246	74,144	65,657

See accompanying notes to financial statements.

CENTRAL PARK CONSERVANCY, INC.

Statement of Functional Expenses

Year ended June 30, 2018

(Dollars in thousands)

	Program services					Supporting services				
	Planning, design and construction		Park operations			Total	Fund-raising	Management and general	Total	Total 2018
	Core Planning, design, and construction	Harlem Meer Outdoor Center	Horticulture, maintenance, and operations	Visitor experience	Helping other parks					
Salaries	\$ 2,756	36	10,619	1,765	2,209	17,385	3,136	4,187	7,323	24,708
Payroll taxes and employee benefits	861	10	3,436	591	696	5,594	992	1,113	2,105	7,699
Total salaries and related expenses	3,617	46	14,055	2,356	2,905	22,979	4,128	5,300	9,428	32,407
Contracted services:										
Construction and design	13,509	103	849	—	274	14,735	—	—	—	14,735
Landscape	—	—	1,973	—	—	1,973	—	—	—	1,973
Facilities maintenance	13	—	1,032	11	70	1,126	35	11	46	1,172
Consulting	1,028	—	148	287	394	1,857	1,119	784	1,903	3,760
Mailings	—	—	—	—	—	—	465	4	469	469
Other	23	—	38	41	25	127	1,576	26	1,602	1,729
Total contracted services	14,573	103	4,040	339	763	19,818	3,195	825	4,020	23,838
Grant awards	23	—	405	40	565	1,033	—	—	—	1,033
Materials, equipment, and supplies	934	—	1,500	631	56	3,121	66	16	82	3,203
Printing and publications	42	—	—	44	13	99	157	48	205	304
Conferences, conventions, and meetings	40	—	47	20	92	199	26	75	101	300
Postage, shipping, and messenger	61	—	46	27	4	138	198	20	218	356
Travel	8	—	23	1	15	47	11	7	18	65
Equipment maintenance and rentals	87	—	524	75	96	782	201	102	303	1,085
Insurance	44	—	91	37	40	212	117	37	154	366
Occupancy	208	—	438	173	191	1,010	555	173	728	1,738
Advertising	—	—	—	13	3	16	8	46	54	70
Miscellaneous	40	—	179	36	30	285	85	73	158	443
Bad debt	63	—	—	—	—	63	14	—	14	77
Contributed services	65	—	147	157	74	443	170	65	235	678
	1,615	—	3,400	1,254	1,179	7,448	1,608	662	2,270	9,718
Total expenses before depreciation and amortization	19,805	149	21,495	3,949	4,847	50,245	8,931	6,787	15,718	65,963
Depreciation and amortization	203	—	547	29	115	894	42	272	314	1,208
Total expenses inclusive of direct donor benefits	20,008	149	22,042	3,978	4,962	51,139	8,973	7,059	16,032	67,171
Less: Expenses incurred for direct donor benefits	—	—	—	—	—	—	(1,514)	—	(1,514)	(1,514)
Total expenses – 2018	\$ 20,008	149	22,042	3,978	4,962	51,139	7,459	7,059	14,518	65,657

See accompanying notes to financial statements.

CENTRAL PARK CONSERVANCY, INC.

Statements of Cash Flows

Years ended June 30, 2019 and 2018

(Dollars in thousands)

	2019	2018
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (15,122)	15,603
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,143	1,208
Net appreciation in fair value on investments	(3,814)	(14,939)
Change in value of split-interest agreements	20	252
Contributions and earnings with restrictions, classified as financing activities	(1,758)	(3,289)
Changes in operating assets and liabilities:		
Increase in accounts receivable	(1,706)	(1,442)
Increase in prepaid expenses and other assets	(70)	(52)
Decrease in contributions receivable, net of amounts classified as financing activities	9,431	7,234
Increase in accounts payable and accrued expenses	2,495	754
Increase in deferred revenue	9,994	2,862
Decrease in other liabilities	(74)	(59)
Net cash provided by operating activities	539	8,132
Cash flows from investing activities:		
Proceeds from sale of investments	204,335	167,701
Purchases of investments	(215,433)	(173,267)
Acquisition of fixed assets	(855)	(241)
Net cash used in investing activities	(11,953)	(5,807)
Cash flows from financing activities:		
Contributions and earnings with restrictions	1,758	3,289
Decrease (increase) in contributions receivable with restrictions	24	(2)
Net change in liabilities under split-interest agreements	(98)	471
Net cash provided by financing activities	1,684	3,758
Net (decrease) increase in cash	(9,730)	6,083
Cash at beginning of year	11,489	5,406
Cash at end of year	\$ 1,759	11,489

See accompanying notes to financial statements.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(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 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 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:

Net Assets without donor restrictions are categorized as follows:

- Available for operations are net assets not subject to donor-imposed restrictions or Board designations; and
- Board designated held for long term purposes are net assets designated by the Board to be used for particular purposes; and
- Board designated as quasi-endowment net assets include net assets designated by the Board to be treated as endowment and the related appreciation on investments

Net Assets with donor restrictions are categorized as follows:

- Time and purpose net assets are subject to donor-imposed restrictions that will be met either by actions of the Conservancy and/or the passage of time; and
- Endowment net assets permit the Conservancy to use all or part of the income earned on related investments for general or specific purposes but require the Conservancy to hold the original gift in perpetuity. Both the original gift and the appreciation on investment are included in this category.

Revenues, gains (losses), and other support are reported as increases (decreases) in net assets without restrictions unless their use is limited by explicit donor-imposed restrictions or by law. Expenses are reported as decreases in net assets without restrictions. Expirations of restrictions on net assets

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

with restrictions (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.

(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 in a hierarchy within that 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 are:

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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASC Topic 820), 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 reasonableness of the valuations and assumptions used by the investment managers in determining the net asset values of these investments. These estimated

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

(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, 2019 and 2018.

(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 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, 2019 and 2018

(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, and the allocation of functional expenses.

(k) Functional Allocation of Expenses

The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Conservancy are reported as expenses of those functional areas. A portion of administration and technology costs that benefit multiple functional areas (indirect costs) have been allocated across programs and other supporting services based on headcount.

Program services include planning, design and construction and the Harlem Meer Outdoor Center. The Harlem Meer Outdoor Center will have a 4 year duration and is reported separately because of the scale of the project as compared to historical projects. Park operations include horticulture, maintenance and operations, visitor experience and helping other parks.

(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) Adoption of Accounting Pronouncements

In 2019, the Conservancy adopted Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* (ASU 2016-14), which among other things, changes how not for profit entities report net asset classes, expenses and liquidity in their financial statements. The significant requirements of the new ASU include the reduction of the number of net asset classes from three to two: with donor restrictions and without donor restrictions; the presentation of expenses by their function and their natural classification in one location; and quantitative and qualitative information about the management of liquid resources and the availability of financial assets to meet cash needs within one year of the date of the statement of financial position. The Conservancy applied the changes retrospectively.

The adoption of ASU 2016-14, resulted in prior year unrestricted net assets of \$88,277 now being reported as net assets without donor restrictions, and temporarily and permanently restricted net assets of \$187,620 and \$100,071 respectively being combined and reported as net assets with donor restrictions. In addition, the Conservancy has included a statement of functional expenses and additional disclosures regarding liquidity in accordance with ASU 2016-14.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

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(Dollars in thousands)

(n) Recent Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update helps an entity evaluate whether it should account for a grant (or similar transaction) as a contribution or as an exchange transaction. The update also clarifies and expands the criteria for determining whether a contribution is conditional, which may delay recognition of contribution revenue (recipient) or expenses (resource provider). The Conservancy plans to adopt ASU 2018-08 for the year ending June 30, 2020.

The FASB also issued ASU 2014-09: *Revenue from Contracts with Customers*. The core principle of this standard is that “an entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.” The amendments in this ASU, which were deferred by ASU 2015-14, are effective for public business entities for fiscal years beginning after December 15, 2017 (calendar 2018 and fiscal 2019 year-ends). For all other entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2018 (calendar 2019 and fiscal 2020 year-ends). The Conservancy plans to adopt ASU 2014-09 for the year ending June 30, 2020.

In addition, the FASB issued ASU 2016-02: *Leases*. The FASB is issuing this Update to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in this Update are effective for public business entities in fiscal years beginning after December 15, 2018 (calendar 2019 and fiscal 2020 year-ends). All other entities must apply the amendments in this Update in fiscal years beginning after December 15, 2019 (calendar 2020 and fiscal 2021 year-ends). The Conservancy plans to adopt ASU 2016-02 for the year ending June 30, 2021.

(o) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year’s presentation.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

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(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, 2019 and 2018 is as follow:

	<u>2019</u>	<u>2018</u>
Short-term investments:		
U.S. Treasury and money market funds	\$ <u>61,651</u>	<u>41,116</u>
Investments held for endowment:		
U.S. Treasury money market funds	\$ 22,988	25,049
Domestic equities	16,992	13,977
Foreign equities	<u>21,824</u>	<u>25,084</u>
	<u>61,804</u>	<u>64,110</u>
Investments reported at NAV (or its equivalent):		
Real estate	33,785	36,363
Absolute return	65,395	58,526
Private equities	33,919	26,910
Public equities	34,493	39,601
Natural resources	<u>11,754</u>	<u>15,777</u>
Total investments reported at NAV (or its equivalent)	<u>179,346</u>	<u>177,177</u>
Total investments held for endowment	\$ <u>241,150</u>	<u>241,287</u>
Other long term investments:		
U.S. Treasury money market funds	\$ 64	386
U.S. Treasury bonds	<u>20,548</u>	<u>25,884</u>
	<u>20,612</u>	<u>26,270</u>
Investments reported at NAV (or its equivalent):		
Absolute return	2,002	1,937
Private equities	9,932	9,187
Other	<u>12,365</u>	<u>12,943</u>
Total investments reported at NAV (or its equivalent)	<u>24,299</u>	<u>24,067</u>
Total other long term investments	\$ <u>44,911</u>	<u>50,337</u>

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

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Included in investments held for endowment are amounts that have been appropriated by the board and spent in accordance with the endowment purpose of \$12,117 and \$5,502, at June 30, 2019 and 2018 respectively, that have not yet been drawn and remain as part of the investment portfolio (see note 12).

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, 2019, the Conservancy committed approximately 71% of the total investment balance in alternative investments.

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, 2019:

		2019		
	<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	\$ 33,785	10,822	None	None
Absolute return	65,395	17,191	None, monthly, quarterly, biennial	None, 45 days, 90 days
Private equities	33,919	32,468	None	None
Public equities	34,493	—	Weekly, monthly, quarterly	7 days, 45 days, 60 days
Natural resources	11,754	1,438	None, annual	None, 60 days
	<u>\$ 179,346</u>	<u>61,919</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 2019 without obtaining the mutual consent of the donor and the Conservancy.

Furthermore, in years 2019 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 2019, the Conservancy redeemed \$2,385 of these investments.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

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(Dollars in thousands)

(4) Contributions Receivable

Contributions receivable at June 30, 2019 and 2018 are due to be collected as follows:

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 13,480	11,596
One to five years	5,491	16,817
Five years and thereafter	<u>1,585</u>	<u>1,914</u>
	20,556	30,327
Allowance	(288)	(288)
Discount to present value (at rates ranging from 1.41% to 2.78%)	<u>(343)</u>	<u>(659)</u>
Contributions receivable, net	<u>\$ 19,925</u>	<u>29,380</u>

Three donors comprised approximately 18% and 44% of total contribution revenue for the years ended June 30, 2019 and 2018, respectively.

(5) Fixed Assets

A summary of fixed assets at June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>	<u>Estimated useful lives</u>
Furniture and fixtures	\$ 1,502	1,403	5 to 10 years
Office and field equipment	8,087	9,636	3 to 5 years
Leasehold improvements	<u>2,519</u>	<u>2,270</u>	10 years
	12,108	13,309	
Less accumulated depreciation and amortization	<u>(9,273)</u>	<u>(10,186)</u>	
	<u>\$ 2,835</u>	<u>3,123</u>	

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

(6) Net Assets

(a) Without Donor Restrictions

Available for the following purposes at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Held for long term purposes:		
Planning, design, and construction	\$ <u>17,549</u>	<u>16,634</u>
Board designated as quasi-endowments:		
Planning, design, and construction	\$ 13,327	13,900
Horticulture, maintenance, and operations	10,736	11,133
Visitor experience	138	144
General purposes	<u>43,987</u>	<u>46,056</u>
	\$ <u>68,188</u>	<u>71,233</u>

(b) With Donor Restrictions

Available for the following purposes at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Time and purpose:		
Planning, design, and construction	\$ 93,686	116,063
Horticulture, maintenance, and operations	1,249	1,481
Visitor experience	127	50
Helping other parks	4,440	3,004
General purposes	<u>2,783</u>	<u>2,502</u>
	\$ <u>102,285</u>	<u>123,100</u>
For endowment:		
Horticulture, maintenance, and operations	\$ 143,070	146,699
Visitor experience	8,626	9,055
General purposes	<u>11,091</u>	<u>8,837</u>
	\$ <u>162,787</u>	<u>164,591</u>

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2019 and 2018

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(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 Board of the Conservancy to be treated as endowments (quasi-endowment).

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.

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 2019 and 2018, the Conservancy utilized a rate of 4.5% of the total investment pool. In fiscal years 2019 and 2018, the related amounts that were appropriated for use to support operations were \$9,133 and \$8,332, 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

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(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 contributions with donor restrictions. Any changes to the fair value of such deficiencies are included in the net assets with donor restrictions. There were no such deficiencies at June 30, 2019 and 2018.

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, 2019			Total
	Without donor restrictions	With donor restrictions To time and purpose	Accumulated gains	
Net assets, June 30, 2018	\$ 71,233	102,940	61,651	235,824
Investment return, net	(445)	(750)	494	(701)
Contributions and other transfers	93	4,892	—	4,985
Appropriation of endowment assets for expenditure	(2,693)	—	(6,440)	(9,133)
Net assets, June 30, 2019	<u>\$ 68,188</u>	<u>107,082</u>	<u>55,705</u>	<u>230,975</u>
Composition of net assets as of June 30, 2019:				
Held for endowment	\$ —	107,082	55,705	162,787
Board-designated as quasi endowment funds	<u>68,188</u>	<u>—</u>	<u>—</u>	<u>68,188</u>
	<u>\$ 68,188</u>	<u>107,082</u>	<u>55,705</u>	<u>230,975</u>

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

	Year ended June 30, 2018			
	Without donor restrictions	With donor restrictions		Total
		To time and purpose	Accumulated gains	
Net assets, June 30, 2017	\$ 68,075	96,782	55,573	220,430
Investment return, net	5,300	638	12,080	18,018
Contributions and other transfers	188	5,520	—	5,708
Appropriation of endowment assets for expenditure	(2,330)	—	(6,002)	(8,332)
Net assets, June 30, 2018	<u>\$ 71,233</u>	<u>102,940</u>	<u>61,651</u>	<u>235,824</u>
Composition of net assets as of June 30, 2018:				
Donor-restricted endowment funds	\$ —	102,940	61,651	164,591
Board-designated endowment funds	71,233	—	—	71,233
	<u>\$ 71,233</u>	<u>102,940</u>	<u>61,651</u>	<u>235,824</u>

(8) Other Revenue, Contributed Services, and Facilities

A summary of other revenue at June 30, 2019 and 2018 is as follows:

	2019	2018
Merchandise sales, program revenue, and fees	\$ 1,878	2,364
Contributed services and facilities	755	678
	<u>\$ 2,633</u>	<u>3,042</u>

CENTRAL PARK CONSERVANCY, INC.

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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>2019</u>	<u>2018</u>
Planning, design and construction	\$ 67	65
Horticulture, maintenance and operations	138	147
Visitor experience	142	157
Helping other parks	70	74
Fund-raising	271	170
Management and general	67	65
	<u>\$ 755</u>	<u>678</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, 2019 and 2018, the Conservancy contributed \$1,516 and \$1,558, 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, 2019 and 2018, a contribution for each officer of \$19.0 and \$18.5, respectively, was contributed as defined in the Plan. The Conservancy contributed \$209 and \$167, 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.

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Future minimum lease payments are as follows:

	<u>Amount</u>
Year ending June 30:	
2020	\$ 1,360
2021	1,385
2022	1,385
2023	<u>1,038</u>
	<u>\$ 5,168</u>

Rent expense for the years ended June 30, 2019 and 2018 was \$1,457 and \$1,441, 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 2019 and 2018, the Conservancy recognized as revenue and expended \$8,879 and \$8,663, respectively, related to the contract. At June 30, 2019 and 2018, the related receivable was \$4,439 and \$2,166, respectively.

CENTRAL PARK CONSERVANCY, INC.

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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 2019 and 2018, the Conservancy recognized \$858 and \$2,963, respectively, for project revenue.

(12) Liquidity and Availability

The Conservancy manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures. The following schedule reflects the Conservancy's financial assets available for general expenditure within one year from June 30, 2019.

	<u>2019</u>	<u>2018</u>
Cash and short term investments	\$ 63,410	52,605
Accounts receivable, due within one year	10,027	8,321
Contributions and trusts receivable, due within one year	13,307	11,399
Net endowment appropriation, not yet drawn (note 3)	12,117	5,502
Subsequent year endowment appropriation	<u>9,335</u>	<u>9,133</u>
Total financial assets available within one year	<u>\$ 108,196</u>	<u>86,960</u>

Additionally, the Conservancy has \$68,188 of board designated funds being treated as quasi-endowments that are invested for long term appreciation and current income but remain available and may be spent at the discretion of the Board.

(13) Harlem Meer Outdoor Center

In February 2019, the Conservancy entered into pledge agreements with four donors to provide \$100 million (collectively) in funding to be paid over a five-year period for the construction, operation and management of a new pool and ice rink. The pledge agreements contain provisions that the Conservancy views as "conditional promises". Accordingly, pledge payments received in the amount of \$15 million were recorded as deferred revenue. The revenue from these pledge agreements will only be recognized at such time as the specific conditions are actually met. In 2019, the Conservancy recognized \$2,278 as revenue as a result of incurring expenditures in accordance with the donor agreements.

(14) Subsequent Events

In connection with the preparation of the financial statements, the Conservancy evaluated subsequent events after the balance sheet date of June 30, 2019 through October 11, 2019 which was the date the financial statements were available to be issued, and concluded that no additional disclosures were necessary.