



CENTRAL PARK CONSERVANCY, INC.

Financial Statements

June 30, 2020 and 2019

(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, 2020 and 2019, 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, 2020 and 2019, 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.

KPMG LLP

October 30, 2020

CENTRAL PARK CONSERVANCY, INC.

Balance Sheets

June 30, 2020 and 2019

(Dollars in thousands)

Assets	2020	2019
Cash	\$ 3,994	1,759
Short-term investments (note 3)	82,783	61,651
Accounts receivable (note 11)	8,518	11,565
Prepaid expenses and other assets	1,350	1,435
Contributions receivable, net (note 4)	18,892	19,925
Investments held by endowment (note 3)	227,586	241,150
Other long-term investments (note 3)	38,970	44,911
Investments held under split-interest agreements	1,611	1,571
457(b) deferred compensation plan (note 9)	2,488	2,188
Fixed assets, net (note 5)	3,281	2,835
Total assets	\$ 389,473	388,990
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 8,512	11,226
Deferred revenue (note 13)	31,864	13,113
Liabilities under split-interest agreements	1,049	1,125
Other liabilities	278	492
Loan payable (note 10(b))	5,374	—
457(b) deferred compensation plan liability (note 9)	2,488	2,188
Total liabilities	49,565	28,144
Net assets:		
Without donor restrictions:		
Available for operations	8,185	10,037
Held for long term purposes (notes 6 and 7)	16,450	17,549
Board designated as quasi-endowments (notes 6 and 7)	64,612	68,188
Total net assets without donor restrictions	89,247	95,774
With donor restrictions:		
Time and purpose (notes 6 and 7)	91,044	102,285
For endowment (notes 6 and 7)	159,617	162,787
Total net assets with donor restrictions	250,661	265,072
Total net assets	339,908	360,846
Total liabilities and net assets	\$ 389,473	388,990

See accompanying notes to financial statements.

CENTRAL PARK CONSERVANCY, INC.

Statement of Activities

Year ended June 30, 2020

(with comparative summarized totals for 2019)

(Dollars in thousands)

	Without donor restrictions			With donor restrictions	Total	
	Operations	Board designated	Total		2020	2019
Revenue, gains (losses), and other support:						
Contributions (note 4)	\$ 22,684	610	23,294	11,426	34,720	36,231
Contributions, Harlem Meer Outdoor Center (note 13)	—	—	—	3,937	3,937	2,278
Revenue from the City of New York:						
Contract revenue (note 11)	8,888	—	8,888	—	8,888	8,879
Project revenue (note 11)	4,121	—	4,121	—	4,121	858
Special events revenue	1,370	—	1,370	—	1,370	6,090
Less expenses incurred for direct donor benefits	(801)	—	(801)	—	(801)	(1,611)
Special events revenue, net	569	—	569	—	569	4,479
Investment return, net	1,454	(683)	771	(5,767)	(4,996)	3,684
Change in value of split-interest agreements	—	(25)	(25)	—	(25)	(20)
Other (note 8)	2,075	—	2,075	—	2,075	2,633
Total revenue and gains (losses)	39,791	(98)	39,693	9,596	49,289	59,022
Net assets released from restrictions:						
Contributions and other revenue	22,304	(4,130)	18,174	(18,174)	—	—
Release from restrictions Harlem Meer Outdoor Center (note 13)	3,937	—	3,937	(3,937)	—	—
Administrative cost recovery	2,343	(447)	1,896	(1,896)	—	—
Total net assets released from restrictions	28,584	(4,577)	24,007	(24,007)	—	—
Total revenue, gains (losses), and other support	68,375	(4,675)	63,700	(14,411)	49,289	59,022
Expenses:						
Program services:						
Planning, design, and construction:						
Core planning, design and construction	15,400	—	15,400	—	15,400	24,667
Harlem Meer Outdoor Center (note 13)	3,937	—	3,937	—	3,937	2,278
Park operations:						
Horticulture, maintenance, and operations	24,431	—	24,431	—	24,431	23,377
Visitor experience	4,190	—	4,190	—	4,190	4,163
Helping other parks	3,129	—	3,129	—	3,129	3,413
Total program services	51,087	—	51,087	—	51,087	57,898
Supporting services:						
Fund-raising	7,852	—	7,852	—	7,852	7,963
Management and general	11,288	—	11,288	—	11,288	8,283
Total supporting services	19,140	—	19,140	—	19,140	16,246
Total expenses	70,227	—	70,227	—	70,227	74,144
Decrease in net assets	(1,852)	(4,675)	(6,527)	(14,411)	(20,938)	(15,122)
Net assets at beginning of year	10,037	85,737	95,774	265,072	360,846	375,968
Net assets at end of year	\$ 8,185	81,062	89,247	250,661	339,908	360,846

See accompanying notes to financial statements.

CENTRAL PARK CONSERVANCY, INC.

Statement of Activities

Year ended June 30, 2019

(Dollars in thousands)

	Without donor restrictions			With donor restrictions	Total 2019
	Operations	Board designated	Total		
Revenue, gains (losses), and other support:					
Contributions (note 4)	\$ 21,683	2,059	23,742	12,489	36,231
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
Project revenue (note 11)	858	—	858	—	858
Special events revenue	6,090	—	6,090	—	6,090
Less expenses incurred for direct donor benefits	(1,611)	—	(1,611)	—	(1,611)
Special events revenue, net	4,479	—	4,479	—	4,479
Investment return, net	1,687	(349)	1,338	2,346	3,684
Change in value of split-interest agreements	—	(20)	(20)	—	(20)
Other (note 8)	2,633	—	2,633	—	2,633
Total revenue and gains (losses)	40,219	1,690	41,909	17,113	59,022
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
Expenses:					
Program services:					
Planning, design, and construction:					
Core planning, design and construction	24,667	—	24,667	—	24,667
Harlem Meer Outdoor Center (note 13)	2,278	—	2,278	—	2,278
Park operations:					
Horticulture, maintenance, and operations	23,377	—	23,377	—	23,377
Visitor experience	4,163	—	4,163	—	4,163
Helping other parks	3,413	—	3,413	—	3,413
Total program services	57,898	—	57,898	—	57,898
Supporting services:					
Fund-raising	7,963	—	7,963	—	7,963
Management and general	8,283	—	8,283	—	8,283
Total supporting services	16,246	—	16,246	—	16,246
Total expenses	74,144	—	74,144	—	74,144
Increase (decrease) in net assets before transfers	10,027	(2,530)	7,497	(22,619)	(15,122)
Transfers	(400)	400	—	—	—
Increase (decrease) in net assets	9,627	(2,130)	7,497	(22,619)	(15,122)
Net assets at beginning of year	410	87,867	88,277	287,691	375,968
Net assets at end of year	\$ 10,037	85,737	95,774	265,072	360,846

See accompanying notes to financial statements.

CENTRAL PARK CONSERVANCY, INC.

Statement of Functional Expenses

Year ended June 30, 2020
(with comparative summarized totals for 2019)

(Dollars in thousands)

	Program services					Supporting services				Total	
	Planning, design and construction		Park operations			Total	Fund-raising	Management and general	Total	2020	2019
	Core planning, design, and construction	Harlem Meer Outdoor Center	Horticulture, maintenance, and operations	Visitor experience	Helping other parks						
Salaries	\$ 2,694	363	12,897	2,117	1,335	19,406	3,106	5,373	8,479	27,885	25,202
Payroll taxes and employee benefits	804	104	3,870	628	386	5,792	945	1,542	2,487	8,279	7,550
Total salaries and related expenses	3,498	467	16,767	2,745	1,721	25,198	4,051	6,915	10,966	36,164	32,752
Contracted services:											
Construction and design	8,633	8	345	—	—	8,986	—	—	—	8,986	18,407
Landscape	—	—	1,998	—	—	1,998	—	—	—	1,998	2,211
Facilities maintenance	18	—	1,109	13	68	1,208	40	13	53	1,261	1,272
Consulting	1,460	3,447	146	172	349	5,574	1,265	3,067	4,332	9,906	6,922
Mailings	—	—	—	—	—	—	479	12	491	491	385
Other	8	—	4	39	5	56	941	156	1,097	1,153	1,828
Total contracted services	10,119	3,455	3,602	224	422	17,822	2,725	3,248	5,973	23,795	31,025
Grant awards	66	—	134	—	213	413	—	—	—	413	607
Materials, equipment, and supplies	707	—	1,399	529	29	2,664	117	28	145	2,809	3,736
Printing and publications	33	8	2	54	8	105	139	44	183	288	316
Conferences, conventions, and meetings	16	2	52	18	157	245	27	192	219	464	429
Postage, shipping, and messenger	41	1	54	28	1	125	156	19	175	300	494
Travel	6	4	16	2	8	36	17	7	24	60	61
Equipment maintenance and rentals	131	—	717	104	103	1,055	288	140	428	1,483	1,613
Insurance	57	—	104	42	46	249	133	42	175	424	397
Occupancy	215	—	448	179	197	1,039	573	179	752	1,791	1,882
Advertising	—	—	—	13	14	27	157	21	178	205	82
Miscellaneous	42	—	193	57	18	310	70	108	178	488	424
Bad debt	92	—	225	—	50	367	—	—	—	367	39
Contributed services	118	—	190	167	96	571	144	118	262	833	755
	1,524	15	3,534	1,193	940	7,206	1,821	898	2,719	9,925	10,835
Total expenses before depreciation and amortization	15,141	3,937	23,903	4,162	3,083	50,226	8,597	11,061	19,658	69,884	74,612
Depreciation and amortization	259	—	528	28	46	861	56	227	283	1,144	1,143
Total expenses inclusive of direct donor benefits	15,400	3,937	24,431	4,190	3,129	51,087	8,653	11,288	19,941	71,028	75,755
Less: Expenses incurred for direct donor benefits	—	—	—	—	—	—	(801)	—	(801)	(801)	(1,611)
Total expenses – 2020	\$ 15,400	3,937	24,431	4,190	3,129	51,087	7,852	11,288	19,140	70,227	
Total expenses – 2019	\$ 24,667	2,278	23,377	4,163	3,413	57,898	7,963	8,283	16,246		74,144

See accompanying notes to financial statements.

CENTRAL PARK CONSERVANCY, INC.

Statement of Functional Expenses

Year ended June 30, 2019

(Dollars in thousands)

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

See accompanying notes to financial statements.

CENTRAL PARK CONSERVANCY, INC.

Statements of Cash Flows

Years ended June 30, 2020 and 2019

(Dollars in thousands)

	2020	2019
Cash flows from operating activities:		
Decrease in net assets	\$ (20,938)	(15,122)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,144	1,143
Net (depreciation) appreciation in fair value on investments	4,996	(3,814)
Change in value of split-interest agreements	25	20
Contributions and earnings with restrictions, classified as financing activities	(1,665)	(1,758)
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	3,047	(1,706)
Decrease (increase) in prepaid expenses and other assets	85	(70)
Decrease in contributions receivable, net of amounts classified as financing activities	860	9,431
(Decrease) increase in accounts payable and accrued expenses	(2,700)	2,495
Increase in deferred revenue	18,751	9,994
Decrease in other liabilities	(214)	(74)
Net cash provided by operating activities	3,391	539
Cash flows from investing activities:		
Proceeds from sale of investments	153,334	204,335
Purchases of investments	(160,023)	(215,433)
Acquisition of fixed assets	(1,590)	(855)
Net cash used in investing activities	(8,279)	(11,953)
Cash flows from financing activities:		
Contributions and earnings with restrictions	1,665	1,758
Decrease in contributions receivable with restrictions	173	24
Proceeds from loan payable	5,361	—
Net change in liabilities under split-interest agreements	(76)	(98)
Net cash provided by financing activities	7,123	1,684
Net increase (decrease) in cash	2,235	(9,730)
Cash at beginning of year	1,759	11,489
Cash at end of year	\$ 3,994	1,759

See accompanying notes to financial statements.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(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.

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(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.

A contribution, gift or grant is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The presence of both a barrier and a right of return or right of release indicates that a recipient's contribution, gift, or grant is not recognized until it becomes unconditional, that is, when the barrier(s) in the agreement are overcome.

(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

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(Dollars in thousands)

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 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, 2020 and 2019.

(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, 2020 and 2019

(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

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* (ASU 2018-18). 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 adopted ASU 2018-18 for the year ending June 30, 2020. The adoption of this ASU did not have a significant impact on the Conservancy's financial statements.

(n) Recent Accounting Pronouncements

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

CENTRAL PARK CONSERVANCY, INC.

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(Dollars in thousands)

(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). In response to the ongoing impacts of the coronavirus (COVID-19) pandemic, the FASB issued ASU 2020-05: *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842), Effective Dates for Certain Entities*, which provides all other entities with the optional deferral of the effective date for this ASU to fiscal years beginning after December 15, 2021 (calendar 2021 and fiscal 2023 year-ends). The Conservancy is currently evaluating the impact on the 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).

A summary of the fair value of investments at June 30, 2020 and 2019 is as follow:

	2020	2019
Short-term investments:		
U.S. Treasury and money market funds	\$ 82,783	61,651
Investments held for endowment:		
U.S. Treasury money market funds	\$ 12,210	22,988
Domestic equities	18,394	16,992
Foreign equities	21,441	21,824
	52,045	61,804
Investments reported at NAV (or its equivalent):		
Real estate	41,042	33,785
Absolute return	75,702	65,395
Private equities	22,729	33,919
Public equities	30,386	34,493
Natural resources	5,682	11,754
Total investments reported at NAV (or its equivalent)	175,541	179,346
Total investments held for endowment	\$ 227,586	241,150

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	<u>2020</u>	<u>2019</u>
Other long term investments:		
U.S. Treasury money market funds	\$ 255	64
U.S. Treasury bonds	<u>20,872</u>	<u>20,548</u>
	<u>21,127</u>	<u>20,612</u>
Investments reported at NAV (or its equivalent):		
Absolute return	1,222	2,002
Private equities	5,189	9,932
Other	<u>11,432</u>	<u>12,365</u>
Total investments reported at NAV (or its equivalent)	<u>17,843</u>	<u>24,299</u>
Total other long term investments	<u>\$ 38,970</u>	<u>44,911</u>

Included in investments held for endowment are amounts that have been appropriated by the board and spent in accordance with the endowment purpose of \$3,272 and \$12,117, at June 30, 2020 and 2019 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, 2020, the Conservancy committed approximately 73% of the total investment balance in alternative investments.

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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, 2020:

	2020			
	<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	\$ 41,042	16,637	None	None
Absolute return	75,702	16,812	None, monthly, quarterly, biennial	None, 45 days, 90 days
Private equities	22,729	21,124	None	None
Public equities	30,386	—	Weekly, monthly, quarterly	7 days, 45 days, 60 days
Natural resources	5,682	1,228	None, annual	None, 60 days
	<u>\$ 175,541</u>	<u>55,801</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. In fiscal year 2020, the Conservancy redeemed \$2,415 of these investments. Subsequent to the balance sheet date, 100% of the Conservancy's remaining investment in the Funds were compulsorily redeemed. The value of the funds at the redemption date was \$18,325.

CENTRAL PARK CONSERVANCY, INC.

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(4) Contributions Receivable

Contributions receivable at June 30, 2020 and 2019 are due to be collected as follows:

	2020	2019
Less than one year	\$ 7,517	13,480
One to five years	10,106	5,491
Five years and thereafter	1,868	1,585
	19,491	20,556
Allowance	(288)	(288)
Discount to present value (at rates ranging from 1.41% to 2.78%)	(311)	(343)
Contributions receivable, net	\$ 18,892	19,925

Three donors comprised approximately 9.9% and 18% of total contribution revenue for the years ended June 30, 2020 and 2019, respectively.

(5) Fixed Assets

A summary of fixed assets at June 30, 2020 and 2019 is as follows:

	2020	2019	Estimated useful lives
Furniture and fixtures	\$ 1,510	1,502	5 to 10 years
Office and field equipment	9,670	8,087	3 to 5 years
Leasehold improvements	2,518	2,519	10 years
	13,698	12,108	
Less accumulated depreciation and amortization	(10,417)	(9,273)	
	\$ 3,281	2,835	

CENTRAL PARK CONSERVANCY, INC.

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(6) Net Assets

(a) Without Donor Restrictions

Available for the following purposes at June 30, 2020 and 2019:

	2020	2019
Held for long term purposes:		
Planning, design, and construction	\$ 16,450	17,549
Board designated as quasi-endowments:		
Planning, design, and construction	\$ 12,637	13,327
Horticulture, maintenance, and operations	10,140	10,736
Visitor experience	131	138
General purposes	41,704	43,987
	\$ 64,612	68,188

(b) With Donor Restrictions

Available for the following purposes at June 30, 2020 and 2019:

	2020	2019
Time and purpose:		
Planning, design, and construction	\$ 80,782	93,686
Horticulture, maintenance, and operations	1,361	1,249
Visitor experience	825	127
Helping other parks	3,872	4,440
General purposes	4,204	2,783
	\$ 91,044	102,285
For endowment:		
Horticulture, maintenance, and operations	\$ 138,363	143,070
Visitor experience	8,162	8,626
General purposes	13,092	11,091
	\$ 159,617	162,787

(7) Endowment Funds

The Conservancy's endowment consisted of 89 and 86 individual funds at June 30, 2020 and 2019, respectively, 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).

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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 2020 and 2019, the Conservancy utilized a rate of 4.5% of the total investment pool. In fiscal years 2020 and 2019, the related amounts that were appropriated for use to support operations were \$9,335 and \$9,133, respectively.

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

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or the law requires to retain as a fund of perpetual duration. This results from unfavorable market fluctuations subsequent to the investment of 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, 2020 and 2019.

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(Dollars in thousands)

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, 2020			
	Without donor restrictions	With donor restrictions		Total
		To time and purpose	Accumulated gains	
Net assets, June 30, 2019	\$ 68,188	107,082	55,705	230,975
Investment return, net	(783)	(741)	(984)	(2,508)
Contributions and other transfers	33	5,064	—	5,097
Appropriation of endowment assets for expenditure	<u>(2,826)</u>	<u>—</u>	<u>(6,509)</u>	<u>(9,335)</u>
Net assets, June 30, 2020	\$ <u>64,612</u>	<u>111,405</u>	<u>48,212</u>	<u>224,229</u>
Composition of net assets as of June 30, 2020:				
Held for endowment	\$ —	111,405	48,212	159,617
Board-designated as quasi endowment funds	<u>64,612</u>	<u>—</u>	<u>—</u>	<u>64,612</u>
	\$ <u>64,612</u>	<u>111,405</u>	<u>48,212</u>	<u>224,229</u>
	Year ended June 30, 2019			
	Without donor restrictions	With donor restrictions		Total
		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	<u>(2,693)</u>	<u>—</u>	<u>(6,440)</u>	<u>(9,133)</u>
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>

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(8) Other Revenue, Contributed Services, and Facilities

A summary of other revenue at June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Merchandise sales, program revenue, and fees	\$ 1,242	1,878
Contributed services and facilities	833	755
	<u>\$ 2,075</u>	<u>2,633</u>

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>2020</u>	<u>2019</u>
Planning, design and construction	\$ 118	67
Horticulture, maintenance and operations	190	138
Visitor experience	167	142
Helping other parks	96	70
Fund-raising	144	271
Management and general	118	67
	<u>\$ 833</u>	<u>755</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, 2020 and 2019, the Conservancy contributed \$1,437 and \$1,516, 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, 2020 and 2019, a contribution for each officer of \$19.5 and \$19.0, respectively, was contributed as defined in the Plan. The Conservancy contributed \$215 and \$209, respectively, to the Plan.

CENTRAL PARK CONSERVANCY, INC.

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(10) Commitments and Contingencies

(a) COVID-19

COVID-19 has impacted the operations of many philanthropic organizations, including those like the Conservancy which performs an 'essential' function for the City of New York (as defined by NYS Executive order 202.6) by maintaining Central Park. The Park has remained open throughout the crisis during which use has not decreased as the Park has continued to be a refuge vital to the health of New Yorkers. Failure to maintain the Park at current levels could negatively impact the Conservancy's significant capital investment and may cause irreparable reputational damage with its donors and the public.

In March 2020, state and local governments in New York declared a State of Emergency and issued a Civil Order of Shutdown. The restrictions imposed by these orders resulted in the closure of all concessions in Central Park and imposed prohibitions on large public gatherings, which forced the Conservancy to cancel all its spring and summer fundraising events. Furthermore, the Conservancy is forecasting for Fiscal year 2021, a drop in general contributions, continued cancellations of fundraising events and a reduction in NYC funding pursuant to its agreement due to the shutdown of park concessions. Budget adjustments have been implemented to mitigate the revenue impacts, including a hiring freeze, reducing executive compensation, freezing employee salaries, and limiting contracted and consulting expenses.

Given the relative size of the Conservancy's annual operating budget and the projected loss of fundraising revenue and funding from the City, the Conservancy concluded that in view of the current economic uncertainty, relying solely upon its own assets would threaten the Conservancy's near-term operations.

(b) Paycheck Protection Program (PPP) Loan

On April 10, 2020, the Conservancy received loan proceeds in the amount of \$5,361 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest are forgivable after eight weeks that begins on the first day of the organization's first pay period following their PPP loan disbursement date and ends no later than December 31, 2020, as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The Conservancy used the proceeds for qualifying payroll costs consistent with the PPP guidance. The Conservancy believes that its use of the loan proceeds has met the conditions for forgiveness; however, no assurance can be provided that the Conservancy will be eligible for forgiveness, in whole, or in part. The Conservancy has accrued interest in the amount of \$13 as of June 30, 2020. Any amount of the PPP loan that is unforgiven is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months.

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The Conservancy is unable to determine if there will be material adverse effect on its operating results or financial position beyond Fiscal year 2021.

(c) 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.

Future minimum lease payments are as follows:

	<u>Amount</u>
Year ending June 30:	
2021	\$ 1,385
2022	1,385
2023	<u>1,038</u>
	<u>\$ 3,808</u>

Rent expense for the years ended June 30, 2020 and 2019 was \$1,367 and \$1,457, respectively.

(d) 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 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 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.

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The Conservancy recognizes revenue in connection with this contract as expenditures are made for specific services. In fiscal years 2020 and 2019, the Conservancy recognized as revenue and expended \$8,888 and \$8,879, respectively, related to the contract. At June 30, 2020 and 2019, the related receivable was \$6,666 and \$4,439, respectively.

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 2020 and 2019, the Conservancy recognized \$4,121 and \$858, 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, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Cash and short term investments	\$ 86,777	63,410
Accounts receivable, due within one year	8,518	10,027
Contributions and trusts receivable, due within one year	7,517	13,307
Net endowment appropriation, not yet drawn (note 3)	3,272	12,117
Subsequent year endowment appropriation	<u>9,589</u>	<u>9,335</u>
Total financial assets available within one year	<u>\$ 115,673</u>	<u>108,196</u>

Additionally, at June 30, 2020 and 2019, the Conservancy had \$64,612 and \$68,188, respectively, 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.

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(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 fiscal year 2020 and 2019, in the amount of \$21,000 and \$15,000, respectively, 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 fiscal year 2020 and 2019, the Conservancy recognized \$3,937 and \$2,278, respectively, 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, 2020 through October 30, 2020 which was the date the financial statements were available to be issued, and concluded that no additional disclosures were necessary.