



Financial Statements
(Together with Independent Auditors' Report)

As of and for the Year Ended December 31, 2017 and as of
and for the Nine-Month Period Ended December 31, 2016

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

CITY PARKS FOUNDATION
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017 AND AS OF
AND FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
City Parks Foundation

We have audited the accompanying financial statements of City Parks Foundation ("CPF"), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the year ended December 31, 2017 and for the nine-month period ended December 31, 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 City Parks Foundation as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the year ended December 31, 2017 and for the nine-month period ended December 31, 2016 in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 18 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Marks Paneth LLP

New York, NY
June 29, 2018

**CITY PARKS FOUNDATION
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016**

	2017	2016
ASSETS		
Cash and cash equivalents (Notes 2B and 4)	\$ 5,884,422	\$ 5,084,707
Restricted cash (Notes 4 and 11)	6,600,501	6,676,675
Investments, at fair value (Notes 2D and 3)	24,260,580	23,204,474
Other investments (Notes 2D, 4 and 11)	520,200	511,687
Pledges and grants receivable (Notes 2H and 5)	4,819,398	1,822,168
Prepaid expenses and other assets	89,682	127,741
Property and equipment, net (Notes 2E and 6)	696,375	846,667
TOTAL ASSETS	\$ 42,871,158	\$ 38,274,119
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,625,836	\$ 763,784
Deferred revenue (Note 2F)	348,978	780,538
TOTAL LIABILITIES	1,974,814	1,544,322
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS (Note 2C)		
Unrestricted		
Undesignated	3,073,547	1,908,516
Board designated (Note 7B)	12,019,005	12,109,325
Total unrestricted	15,092,552	14,017,841
Temporarily restricted (Notes 7A and 8)	25,713,392	22,621,556
Permanently restricted (Notes 7B and 8)	90,400	90,400
TOTAL NET ASSETS	40,896,344	36,729,797
TOTAL LIABILITIES AND NET ASSETS	\$ 42,871,158	\$ 38,274,119

The accompanying notes are an integral part of these financial statements.

**CITY PARKS FOUNDATION
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017 AND
THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016**

	For the Year Ended December 31, 2017				For the Nine-Month Period Ended December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016
SUPPORT AND REVENUE:								
Contributions and grants (Notes 2H and 2I)	\$ 1,359,974	\$ 13,110,589	\$ -	\$ 14,470,563	\$ 2,313,105	\$ 6,830,982	\$ -	\$ 9,144,087
Fundraising events, net of costs of direct benefits to donors of \$387,110 in 2017 and \$340,469 in 2016 (Note 2J)	503,673	520,101	-	1,023,774	1,064,050	433,545	-	1,497,595
Benefit concerts (Note 2F)	1,794,883	-	-	1,794,883	1,158,528	-	-	1,158,528
In-kind contributions (Note 2G)	3,275,050	-	-	3,275,050	2,724,641	-	-	2,724,641
Investment activity (Notes 2D and 3)	1,778,633	1,591,261	-	3,369,894	701,558	627,368	-	1,328,926
Earned income (Note 2F)	3,780,533	-	-	3,780,533	2,950,080	-	-	2,950,080
Net assets released from restrictions (Note 7A)	12,130,115	(12,130,115)	-	-	8,701,591	(8,701,591)	-	-
TOTAL SUPPORT AND REVENUE	24,622,861	3,091,836	-	27,714,697	19,613,553	(809,696)	-	18,803,857
EXPENSES (Note 2K):								
Program services (Note 1)								
Arts and culture	7,186,104	-	-	7,186,104	6,051,018	-	-	6,051,018
Partnerships for Parks	4,254,535	-	-	4,254,535	3,138,961	-	-	3,138,961
Education	1,368,895	-	-	1,368,895	1,101,604	-	-	1,101,604
Sports	1,566,365	-	-	1,566,365	1,389,506	-	-	1,389,506
Fiscal sponsorship	6,185,004	-	-	6,185,004	5,078,059	-	-	5,078,059
Capital projects	210,092	-	-	210,092	29,903	-	-	29,903
Environmental benefit projects	65,604	-	-	65,604	79,194	-	-	79,194
Total program services	20,836,599	-	-	20,836,599	16,868,245	-	-	16,868,245
Supporting services								
Administrative and support	1,687,728	-	-	1,687,728	1,349,372	-	-	1,349,372
Fundraising	1,023,823	-	-	1,023,823	791,741	-	-	791,741
TOTAL EXPENSES	23,548,150	-	-	23,548,150	19,009,358	-	-	19,009,358
CHANGE IN NET ASSETS	1,074,711	3,091,836	-	4,166,547	604,195	(809,696)	-	(205,501)
Net assets - beginning of year/period	14,017,841	22,621,556	90,400	36,729,797	13,413,646	23,431,252	90,400	36,935,298
NET ASSETS - END OF YEAR/PERIOD	\$ 15,092,552	\$ 25,713,392	\$ 90,400	\$ 40,896,344	\$ 14,017,841	\$ 22,621,556	\$ 90,400	\$ 36,729,797

The accompanying notes are an integral part of these financial statements.

**CITY PARKS FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017 AND
FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 4,166,547	\$ (205,501)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	162,337	120,895
Realized gains on sales of investments	(1,084,710)	(356,353)
Unrealized gains on investments	(1,619,734)	(459,168)
Changes in operating assets and liabilities:		
Pledges and grants receivable	(2,997,230)	(27,425)
Prepaid expenses and other assets	38,059	101,882
Accounts payable and accrued expenses	862,052	(104,341)
Deferred revenue	(431,560)	(968,529)
Net Cash Used in Operating Activities	(904,239)	(1,898,540)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	4,087,174	1,406,353
Purchases of investments	(2,447,349)	(1,151,327)
Acquisitions of property and equipment	(12,045)	(16,000)
Decrease in restricted cash	76,174	45,244
Net Cash Provided by Investing Activities	1,703,954	284,270
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	799,715	(1,614,270)
Cash and cash equivalents - beginning of year/period	5,084,707	6,698,977
CASH AND CASH EQUIVALENTS - END OF YEAR/PERIOD	\$ 5,884,422	\$ 5,084,707

The accompanying notes are an integral part of these financial statements.

**CITY PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017 AND AS OF
AND FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016**

NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS

City Parks Foundation (“CPF”) was organized as a nonprofit corporation in 1989 pursuant to the Not-For-Profit Corporation Laws of the State of New York. CPF is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. CPF was formed to promote and assist in the programming and revitalization of New York City’s parks and such other facilities that are under the jurisdiction of the New York City Department of Parks and Recreation (“DPR”).

At CPF, we are dedicated to invigorating and transforming parks into dynamic, vibrant centers of urban life through sports, arts, community building and education programs for all New Yorkers. Our programs – located in more than 350 parks, recreation centers and public schools across New York City – reach 425,000 people each year. Our ethos is simple: thriving parks mean thriving communities.

In June 1991, CPF and the City of New York’s Commissioner of the DPR entered into an agreement whereby the City of New York would “defend, indemnify, and hold harmless CPF from and against any and all liability, suits, claims, demands, actions, judgments, costs and expenses, arising from damage to persons or property resulting from the acts or omissions of CPF, its agents, employees, officers and directors in connection with the performance of its activities on behalf of DPR.” This agreement is terminable at will by DPR.

In April 2016, CPF’s Board of Directors approved a resolution to change CPF’s fiscal year end from March 31 to December 31. Accordingly, the accompanying financial statements present the financial position of CPF as of December 31, 2017 and 2016 and the changes in its net assets and its cash flows for the year ended December 31, 2017 and for the nine-month period ended December 31, 2016.

CPF’s primary sources of revenues are contributions (including government support), earned income and investment income.

CPF enriches the lives of New Yorkers each year by providing the following program services:

- **Arts & Culture:** CityParks Shows brings hundreds of live music, dance and theater performances to communities throughout New York City’s five boroughs. The SummerStage festival presents over 100 free performances and benefit concerts each year in 18 parks throughout the city, ranging from American pop, Latin and world music to dance, spoken word and theater. The Swedish Cottage Marionette Theatre, home to one of the last public marionette companies in the U.S., presents modern takes on classic fairy tales, and the traveling PuppetMobile presents family-friendly puppet shows and workshops outdoors around the city, free of charge.
- **Partnerships for Parks:** Partnerships for Parks (“PFP”), a joint program with DPR, promotes community involvement in parks by building, linking and strengthening a citywide constituency of parks’ supporters. Each year, PFP supports and empowers a growing network of 600 community groups and volunteers dedicated to promoting their local parks and improving the surrounding communities. Through direct engagement, intensive training and technical assistance, and practical toolkits, we enable citizens to play an active and effective role in decisions regarding their local green spaces. This year, nearly 1,100 clean-up events in parks have engaged 25,000 volunteers, improving over 360 individual parks. PFP provides over 700 volunteers with leadership training and distributes grants each year to local park groups.

CITY PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017 AND AS OF
AND FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016

NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS (Continued)

- **Education:** CityParks Learn environmental education programs help students experience the fun of science, while learning about their relationship to the natural world and the ways in which they can protect our natural environment. We provide environmental science programs for elementary, middle and high school students throughout New York City, serving nearly 3,000 kids through school-day, afterschool and summer programming, as well as credit-bearing training and paid internships for teenagers.
- **Sports:** CityParks Play activates New York’s neighborhood parks with free sports programs for kids, including tennis, soccer, golf, track & field, and multi-sport instruction, as well as fitness classes for seniors. We help New Yorkers stay active and healthy, discover new sports, and make new friends.
- **Fiscal Sponsorship:** As fiscal sponsor for a number of New York City parks groups and DPR programs, CPF helps improve the appearance and use of parks through direct physical enhancements, encouragement of neighborhood volunteers, and innovations in DPR operations.
- **Capital Projects:** During the nine-month period ended December 31, 2016, CPF began planning for the renovation of the SummerStage venue at Rumsey Playfield in Central Park. Capital funding was secured from the NYC Council and the Manhattan Borough President to procure various elements of the renovation, which included a new stage with roof structure and sound system. For the design and construction management aspects of the project, funding from private sources have been raised to cover these soft costs and ancillary items. For the year ended December 31, 2017 and for the nine-month period ended December 31, 2016, CPF expended \$210,092 and \$29,903, respectively. The renovation is expected to be completed in time for the 2019 SummerStage season and the total estimated cost to complete the project is approximately \$5 million.
- **Environmental Benefit Projects:** As the administrator of mitigation funds from the New York State Department of Environmental Conservation (“DEC”), CPF funds environmental benefit projects that address green infrastructure, such as, the creation and/or improvement of open space, waterfront access, and other programs along Newtown Creek (see Note 11).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. ***Basis of Accounting and Use of Estimates*** – CPF’s financial statements have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.
- B. ***Cash Equivalents*** – All highly liquid debt instruments with a maturity of three months or less when acquired are considered to be cash equivalents. Cash equivalents also include money market funds, commercial paper and time deposits with maturities of one day to three months.

**CITY PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017 AND AS OF
AND FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. ***Basis of Presentation*** – CPF maintains its net assets under the following three classes:

- Unrestricted – includes the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. CPF's Board has designated a portion of CPF's unrestricted net assets as a Board designated endowment fund, wherein the assets will be retained for investment. It is the expectation of CPF's management that the Board designated endowment fund will continue to grow to secure the long-term stability of CPF. See Note 7B for additional information related to CPF's Board designated endowment.
- Temporarily Restricted – includes gifts of cash and other assets received with donor stipulations that limit the use of donated assets and unappropriated earnings on endowment funds. When a donor restriction expires, or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.
- Permanently Restricted – includes funds that have been designated by the donor to be held and invested in perpetuity.

D. ***Investments and Fair Value Measurements*** – Investments are reported at fair value. Unrealized gains and losses are included in the accompanying statements of activities. Donated securities are recorded at their fair value, as determined using quoted market prices, at the date of donation. Dividend and interest income is recorded as earned. Net investment earnings are recorded as increases in unrestricted funds unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. All unappropriated earnings on donor-restricted endowment funds, that would otherwise be considered unrestricted by the donor, are reflected as temporarily restricted until appropriated.

Certificates of deposit held for investment that are not debt securities are included in other investments in the statements of financial position. Investments in certificates of deposit are carried at cost, which approximates fair value because of the short maturities of the certificates of deposit.

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 3.

E. ***Property and Equipment*** – Equipment is recorded at cost. Depreciation of equipment is provided on a straight-line basis over its estimated useful life, which is five years. Leasehold improvements include CPF's share of the cost of improvements made to space contributed by DPR. Since CPF fully expects to continue its relationship with DPR, the organization is amortizing the improvements on a straight-line basis over the asset's ten-year estimated useful life. The capitalized construction costs for the Junior Golf Center are classified as leasehold improvements and are being amortized over a fifteen-year period.

**CITY PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017 AND AS OF
AND FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- F. **Earned Income and Deferred Revenue** – CPF receives earned income primarily from six sources: 1) income from producing concerts and other events for third parties at the SummerStage site; 2) box office revenues from marionette theater shows in the Swedish Cottage at Central Park; 3) income from children’s birthday parties and other events in the Swedish Cottage; 4) fees earned from the administration of fiscal sponsor accounts for various parks groups and NYC Parks Department programs/funds; 5) fees from providing educational programming for schools and community groups; and 6) concession revenue from the sales of food and beverages at SummerStage. Such amounts are deferred and recognized as revenue in the period in which the underlying services are provided and/or the performance or events are held. Deferred revenue also includes fees received by fiscal year-end for performances or events occurring in the next fiscal period and administrative fees to be earned on mitigation projects (see Note 11).
- G. **In-kind Contributions** – The value of office space, facilities and personnel services’ costs (including fringe benefits) paid by DPR are reported as expenses and in-kind contributions in the accompanying statements of activities. Donated professional services are recognized in the financial statements if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. CPF records contributed professional services at their fair value on the date received.

Many volunteers have made significant contributions of time in furtherance of CPF’s policies and programs. The value of this contributed time does not meet the criteria for recognition and therefore is not reflected in the accompanying statements of activities.

In-kind contributions were as follows for the year ended December 31, 2017 and for the nine-month period ended December 31, 2016:

	2017	2016
Personnel service costs	\$ 2,847,067	\$ 2,182,347
Professional services	11,580	268,021
Office space	294,537	220,902
Telecommunications and computer support	121,866	53,371
	\$ 3,275,050	\$ 2,724,641

Periodically, CPF enters into barter/reciprocal transactions, where it exchanges advertising space within its electronic and social media, or on-site signage and promotion at SummerStage, for reciprocal advertising space or traffic or marketing and social media support. Revenue from barter transactions is recognized during the period in which the advertisements are displayed by CPF. No gain or loss is recorded from barter transactions as the revenue recognized equals the advertising costs incurred. For the year ended December 31, 2017 and for the nine-month period ended December 31, 2016, CPF entered into several such arrangements for which no revenue or expense was recognized as sufficient evidence of fair value was indeterminable.

- H. **Pledges and Grants Receivable** – Pledges and grants are recognized when the donor makes an unconditional promise to give. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unless material, CPF does not discount to present value, pledges and grants to be received after more than one year.

**CITY PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017 AND AS OF
AND FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- I. **Fiscal Sponsorships** – CPF has variance power over the fiscal sponsorship contributions it receives (see Note 8). The fiscal sponsorship contributions received by CPF and investment income allocated to fiscal sponsorship funds are recognized as temporarily restricted or permanently restricted support. The expenditures incurred for fiscal sponsor programs are recognized as expenses by CPF and the corresponding net assets are released from restriction.
- J. **Costs of Direct Benefits to Donors** – The direct costs of fundraising events include expenses for the benefit of the donor. For example, meals and facilities rental are considered costs of direct benefits to donors.
- K. **Functional Allocation of Expenses** – The costs of providing the various program and supporting services have been summarized on a functional basis in the accompanying statements of activities. Certain costs have been allocated among the program and supporting services benefited.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments consisted of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Equity funds	\$ 14,428,436	\$ 13,693,001
Fixed income funds	<u>9,832,144</u>	<u>9,511,473</u>
	<u>\$ 24,260,580</u>	<u>\$ 23,204,474</u>

Investment activity consisted of the following for the year ended December 31, 2017 and for the nine-month period ended December 31, 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 665,450	\$ 513,405
Realized gains on investment sales	1,084,710	356,353
Unrealized gain	<u>1,619,734</u>	<u>459,168</u>
	<u>\$ 3,369,894</u>	<u>\$ 1,328,926</u>

As of December 31, 2017, concentrations of CPF's investments amounting to 15% or more of the fair value of its total investment portfolio included approximately 23% invested in the Vanguard Total Stock Index Fund and approximately 16% invested in the Vanguard Total Bond Market Index Fund. As of December 31, 2016, concentrations of CPF's investments amounting to 15% or more of the fair value of its total investment portfolio included approximately 26% invested in the Vanguard Total Stock Index Fund and approximately 19% invested in the Vanguard Total Bond Market Index Fund.

**CITY PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017 AND AS OF
AND FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016**

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

In determining fair value, CPF utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

Financial assets carried at fair value were classified in the table below as Level 1 as follows at December 31:

	<u>2017</u>	<u>2016</u>
Investments:		
Mutual funds:		
Equity funds:		
Stock Market Index Fund	\$ 5,809,821	\$ 6,093,589
International Value Fund	2,370,814	1,973,309
Small Cap Index Fund	1,640,041	1,602,270
Dividend Appreciation Index Fund	2,715,618	2,221,834
Fidelity Contrafund	<u>1,892,142</u>	<u>1,801,999</u>
Total Equity Funds	<u>14,428,436</u>	<u>13,693,001</u>
Fixed income funds:		
Total Bond Market Index Fund	4,046,383	4,408,388
Inter-Term Investment Grade Fund	2,069,940	1,985,391
Inflation Protected Securities Fund	1,558,854	1,316,346
PIMCO Senior Floating Rate Fund	<u>2,156,967</u>	<u>1,801,348</u>
Total fixed income funds	<u>9,832,144</u>	<u>9,511,473</u>
Total investments at fair value	<u>\$ 24,260,580</u>	<u>\$ 23,204,474</u>

Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (“NAV”) and to transact at that price. The mutual funds are deemed to be actively traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although CPF believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**CITY PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017 AND AS OF
AND FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016**

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

CPF assumes that any transfers between fair value levels during the period occur at the beginning of the period. For the year ended December 31, 2017 and for the nine-month period ended December 31, 2016, there were no significant transfers between fair value levels.

NOTE 4 – CONCENTRATIONS

Cash accounts that potentially subject CPF to a concentration of credit risk include cash and cash equivalents, restricted cash, and certificates of deposit with banks with balances that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. The FDIC provides deposit insurance coverage of up to \$250,000 per depositor. As of December 31, 2017 and 2016, there was approximately \$10.5 million and \$10 million, respectively, of cash accounts with banks that exceeded FDIC limits.

In addition, CPF’s cash and cash equivalents includes funds held in Vanguard money market mutual funds that are not insured by the FDIC which amounted to approximately \$1.5 million and \$1.8 million as of December 31, 2017 and 2016, respectively.

NOTE 5 – PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable amounted to \$4,819,398 and \$1,822,168 as of December 31, 2017 and 2016, respectively, and were all due to be collected within one year.

CPF determines whether an allowance for uncollectible pledges and grants receivable should be provided based on prior years’ experience and management’s analysis of specific promises made. As of December 31, 2017 and 2016, no provision for uncollectible pledges and grants receivable was deemed necessary.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	<u>2017</u>	<u>2016</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 2,368,038	\$ 2,368,038	10-15 years
Equipment	<u>275,429</u>	<u>263,384</u>	5 years
Total cost	2,643,467	2,631,422	
Less: accumulated depreciation and amortization	<u>(1,947,092)</u>	<u>(1,784,755)</u>	
Net book value	<u>\$ 696,375</u>	<u>\$ 846,667</u>	

Depreciation and amortization expense amounted to \$162,337 and \$120,895 for the year ended December 31, 2017 and for the nine-month period ended December 31, 2016, respectively.

**CITY PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017 AND AS OF
AND FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016**

NOTE 7 – RESTRICTED NET ASSETS

A) *Temporarily Restricted Net Assets*

Temporarily restricted net assets were available for the following purposes at December 31:

	<u>2017</u>	<u>2016</u>
Arts and culture	\$ 3,707	\$ -
Sports	1,142,713	902,653
Fiscal sponsorship	17,011,650	13,931,113
Capital projects	-	195,097
Environmental benefit projects	7,108,760	7,146,131
Partnerships for Parks	<u>446,562</u>	<u>446,562</u>
	<u>\$ 25,713,392</u>	<u>\$ 22,621,556</u>

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors, or the passage of time as follows during the year ended December 31, 2017 and the nine-month period ended December 31, 2016:

	<u>2017</u>	<u>2016</u>
Arts and culture	\$ 1,496,704	\$ 865,767
Partnerships for Parks	1,935,848	1,075,098
Education	715,211	463,478
Sports	1,122,240	907,499
Fiscal sponsorship	6,422,405	5,280,651
Capital projects	195,098	29,903
Environmental benefit projects	65,604	79,195
Other	<u>177,005</u>	<u>-</u>
	<u>\$ 12,130,115</u>	<u>\$ 8,701,591</u>

B) *Endowment Net Assets*

The Board of CPF has interpreted as law the New York Prudent Management of Institutional Funds Act (“NYPMIFA”). NYPMIFA replaced prior law which was the Uniform Management of Institutional Funds Act (“UMIFA”).

The Board of CPF recognizes that NYPMIFA permits the Board to appropriate for expenditure all earnings of such endowment funds (both realized and unrealized) with a presumption of prudence to a ceiling of 7% annually based on a quarterly rolling five-year average of such earnings.

The Board explicitly appropriated all earnings as of and prior to September 17, 2010, whether deemed spent or not, as unrestricted. All unappropriated earnings on donor-restricted endowment funds after September 17, 2010, that would otherwise be considered unrestricted by the donor, are reflected as temporarily restricted until appropriated.

CPF’s Board has interpreted NYPMIFA as allowing CPF to appropriate for expenditure or accumulate so much of an endowment fund as CPF determines is prudent for the uses, benefits, purposes and duration for which the endowment fund was established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise, the assets in a donor-restricted endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board.

**CITY PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017 AND AS OF
AND FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016**

NOTE 7 – RESTRICTED NET ASSETS (Continued)

As a result of this interpretation, CPF has not changed the way permanently restricted net assets are classified. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with U.S. GAAP, any deterioration of the fair value of assets associated with donor-restricted endowment funds that falls below the level the donor requires CPF to retain in perpetuity is to be reported in unrestricted net assets. CPF had not incurred such deficiencies in its endowment funds as of December 31, 2017 and 2016.

CPF's endowment investment policy is to invest primarily in a mix of equities, fixed income securities and cash equivalents based on an asset allocation to satisfy its overall endowment financial and investment objectives as determined by its investment policy. The investment policy provides for an asset allocation that is designed to meet the goals of CPF and is based on a number of factors including the projected spending needs, the maintenance of sufficient liquidity and the return objectives and risk tolerances of CPF.

The asset allocation plan provides for diversification of assets in an effort to maximize the investment return and manage risk of CPF consistent with market conditions. CPF relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). It is CPF's policy to annually spend five percent of the Board's designated endowment based upon a three-year moving average, if needed for operational purposes.

Changes in endowment net assets for the year ended December 31, 2017 were as follows:

	Unrestricted - Board <u>Designated</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Contributions to endowments	\$ -	\$ 75,500	\$ -	\$ 75,500
Investment activity:				
Interest and dividends	308,393	317,294	-	625,687
Realized gains	537,012	547,698	-	1,084,710
Unrealized gains on investments	<u>807,927</u>	<u>811,807</u>	<u>-</u>	<u>1,619,734</u>
Total investment activity	<u>1,653,332</u>	<u>1,676,799</u>	<u>-</u>	<u>3,330,131</u>
Releases from endowments	(1,743,652)	(894,314)	-	(2,637,966)
Endowment net assets, beginning of year	<u>12,109,325</u>	<u>11,814,809</u>	<u>90,400</u>	<u>24,014,534</u>
Endowment net assets, end of year	<u>\$ 12,019,005</u>	<u>\$ 12,672,794</u>	<u>\$ 90,400</u>	<u>\$ 24,782,199</u>

**CITY PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017 AND AS OF
AND FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016**

NOTE 7 – RESTRICTED NET ASSETS (Continued)

Changes in endowment net assets for the nine-month period ended December 31, 2016 were as follows:

	Unrestricted - Board Designated	Temporarily Restricted	Permanently Restricted	Total
Contributions to endowments	\$ 31,150	\$ 172,413	\$ -	\$ 203,563
Investment activity:				
Interest and dividends	247,695	248,244	-	495,939
Realized gains	176,216	180,137	-	356,353
Unrealized gains on investments	226,955	232,214	-	459,169
Total investment activity	650,866	660,595	-	1,311,461
Releases from endowments	-	(615,400)	-	(615,400)
Endowment net assets, beginning of period	11,427,309	11,597,201	90,400	23,114,910
Endowment net assets, end of period	\$ 12,109,325	\$ 11,814,809	\$ 90,400	\$ 24,014,534

Permanently restricted net assets of \$90,400 are held for the perpetual care of two monuments. The temporarily restricted endowment assets represent the accumulated investment earnings on the fiscal sponsor and other temporarily restricted funds that have been invested by CPF.

As of December 31, 2017 and 2016, the endowment net assets of \$24,782,199 and \$24,014,534, respectively, were reflected as cash and cash equivalents and investments in the accompanying financial statements.

NOTE 8 – FISCAL SPONSORSHIP

CPF acts as fiscal sponsor to a number of groups and DPR, which engage in activities that are consistent with CPF's mission. CPF accepts tax-deductible donations on behalf of fiscally sponsored groups and DPR and administers the expenditures of those funds for designated tax-exempt charitable purposes. Fiscal sponsorship support is offered to community parks groups and DPR on a case by case basis, in situations in which there is no appropriate community-based 501(c)(3) organization that could otherwise act as fiscal sponsor.

CPF's fiscal sponsorship of parks community groups is a temporary arrangement, during which time groups are expected to work towards obtaining their own 501(c)(3) designations. For this reason, fiscal sponsorship arrangements will have a specific end date. If at the end of the sponsorship period a group has failed to become a 501(c)(3), and there are unspent funds, the group must identify another fiscal sponsor. Otherwise any unused funds will be retained by CPF and used to support CPF's parks-related programming. In addition, should an account show no activity for a one-year period, the account will be terminated and all remaining funds in the account will be spent by CPF on parks-related activities.

CPF's fiscal sponsorship of DPR programs are generally on an on-going basis. CPF accepts funds on behalf of DPR for specific programs which range from swim instruction to park and monuments maintenance. In all cases, CPF has variance power over the fiscal sponsorship contributions it receives. As of December 31, 2017 and 2016, temporarily restricted net assets held for fiscal sponsorship of DPR programs were \$17,011,650 and \$13,931,113, respectively (see Note 7A).

**CITY PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017 AND AS OF
AND FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016**

NOTE 8 – FISCAL SPONSORSHIP (Continued)

At the request of DPR and with donor approval, CPF will transfer balances held for certain DPR programs to designated DPR fiduciary accounts. For the year ended December 31, 2017 and for the nine-month period ended December 31, 2016, CPF transferred \$14,988 and \$11,993, respectively, of fiscal sponsor funds to fiduciary accounts administered by DPR. Such amounts are reflected as program service expense in the accompanying statements of activities.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A) *Contingencies*

Pursuant to CPF's contractual relationships with certain funding sources, outside governmental agencies have the right to examine CPF's books and records relating to these contracts. The accompanying financial statements make no provision for possible disallowances. Although such possible disallowances could be substantial in amount, in the opinion of management, any actual disallowances would be immaterial.

B) *Litigation*

There are various legal proceedings currently pending against CPF. While it is not feasible to predict or determine with certainty the outcome of each case, it is the opinion of management in consultation with legal counsel that the outcomes will not have a material adverse effect on the accompanying financial statements.

C) *Uncertainty in Income Taxes*

CPF believes it had no uncertain tax positions as of December 31, 2017 and 2016 in accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 10 – EMPLOYEE BENEFIT PLANS

CPF has adopted a voluntary tax-sheltered annuity program under Section 403(b) of the Internal Revenue Code, as amended. Under the terms of the plan, employees are entitled to defer a portion of their annual compensation, within limitations established by the Internal Revenue Code. CPF may make discretionary matching contributions that can vary each year. During the year ended December 31, 2017 and for the nine-month period ended December 31, 2016, CPF matched employee contributions up to 3% of gross compensation, amounting to \$95,285 and \$64,962, respectively.

In addition, CPF makes contributions to union employee benefit funds for certain temporary employees covered by a collective bargaining agreement which expires in April 2020. Such contributions amounted to \$216,902 and \$194,901, respectively, for the year ended December 31, 2017 and for the nine-month period ended December 31, 2016.

NOTE 11 – MITIGATION INCOME

During the year ended March 31, 2010, CPF was approved for \$7,000,000 of mitigation funds from DEC to finance environmental benefit projects ("EBPs") in communities in and around Greenpoint, Brooklyn, along Newtown Creek and the East River. CPF will organize and oversee a community input process to determine which EBPs will be funded. CPF is entitled to 10% of the mitigation funds disbursed for its administrative and management costs.

**CITY PARKS FOUNDATION
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017 AND AS OF
AND FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2016**

NOTE 11 – MITIGATION INCOME (Continued)

CPF received \$4,000,000 from DEC in November 2009 and \$3,000,000 in July 2010. Such funds were not disbursed for EBPs as of December 31, 2017 and 2016. The agreement with DEC stipulates that the funds shall be kept by CPF in a separate account and that CPF will apply the funds, and any accrued interest thereon, for the Greenpoint/Newtown Creek EBPs and not for any other purpose. In April 2013, CPF received an additional \$1.2 million of mitigation funds from the New York State Energy Research Development Authority (“NYSERDA”) of which CPF is entitled to 10% for its administrative and management costs in accordance with the project agreement. As of December 31, 2017 and 2016, the funds held by CPF for this purpose amounted to \$7,108,760 and \$7,146,168, respectively, and are reflected as restricted cash and other investments in the accompanying statements of financial position. These amounts are also included in temporarily restricted net assets as of December 31, 2017 and 2016 and will be released from restriction as amounts are disbursed by CPF for environmental benefit projects.

NOTE 12 – RELATED PARTY TRANSACTIONS

CPF transacts business with or contracts services with, companies or individuals that may employ members of the Board of Directors or relatives of certain employees or members of the Board of Directors. The Directors or employees are not involved in the transaction process and all such transactions are reported to and approved by the Board of Directors.

Related party transactions were approximately as follows for the years ended December 31:

	2017	2016
Professional fees	\$ 53,000	\$ -

NOTE 13 – RECLASSIFICATIONS

Certain line items in the December 31, 2016 financial statements have been reclassified to conform to the December 31, 2017 financial statement presentation.

NOTE 14 – SUBSEQUENT EVENTS

CPF has evaluated events subsequent to the date of the statement of financial position through June 29, 2018, the date the financial statements were available to be issued.

CITY PARKS FOUNDATION
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services						Supporting Services			Total Expenses	
	Arts and Culture	Partnerships for Parks	Education	Sports	Fiscal Sponsorship	Capital Projects	Environmental Benefit Projects	Total Program Services	Administrative and Support		Fundraising
Salaries and stipends	\$ 2,567,019	\$ 738,636	\$ 960,176	\$ 1,057,781	\$ 914,547	\$ -	\$ -	\$ 6,238,159	\$ 746,624	\$ 604,248	\$ 7,589,031
Payroll taxes and employee benefits	655,225	171,827	245,723	191,096	217,750	-	-	1,481,621	155,219	123,399	1,760,239
Total salaries and related costs	3,222,244	910,463	1,205,899	1,248,877	1,132,297	-	-	7,719,780	901,843	727,647	9,349,270
Artist fees	1,690,744	8,272	-	-	242,712	-	-	1,941,728	-	-	1,941,728
Consultants and professional fees	644,891	19,402	1,069	104,642	2,482,374	209,075	64,745	3,526,198	83,270	202,497	3,811,965
Grants	-	120,825	-	-	1,000	-	-	121,825	-	-	121,825
Supplies	4,330	358,949	37,201	27,566	960,774	1,017	859	1,390,696	5,479	6,107	1,402,282
Equipment	955,171	4,602	13,390	15,285	969,216	-	-	1,957,664	563	2,328	1,960,555
Awards and recognition	-	45,838	5,108	958	27,395	-	-	79,299	152	17	79,468
Promotion and advertising	98,879	25,915	2,619	8,259	164,458	-	-	300,130	402,183	259	702,572
Telephone	3,551	6,295	2,655	574	829	-	-	13,904	3,796	1,359	19,059
Meetings and seminars	56,472	54,711	22,606	6,053	47,934	-	-	187,776	13,756	9,311	210,843
Postage and shipping	297	81	141	9	15,698	-	-	16,226	1,156	1,305	18,687
Insurance	50,752	675	3,020	-	7,005	-	-	61,452	39,577	-	101,029
Travel and entertainment	11,401	3,426	18,771	14,128	27,472	-	-	75,198	9,746	7,794	92,738
Dues, fees and subscriptions	33,733	4,577	7,151	20,721	105,840	-	-	172,022	107,843	18,877	298,742
In-kind expense	382,226	2,690,504	49,265	-	-	-	-	3,121,995	106,733	46,322	3,275,050
Depreciation and amortization	31,413	-	-	119,293	-	-	-	150,706	11,631	-	162,337
Costs of direct benefits to donors	-	-	-	-	-	-	-	-	-	387,110	387,110
Subtotal	7,186,104	4,254,535	1,368,895	1,566,365	6,185,004	210,092	65,604	20,836,599	1,687,728	1,410,933	23,935,260
Less: expenses deducted directly from revenues on the statement of activities	-	-	-	-	-	-	-	-	-	(387,110)	(387,110)
TOTAL EXPENSES	\$ 7,186,104	\$ 4,254,535	\$ 1,368,895	\$ 1,566,365	\$ 6,185,004	\$ 210,092	\$ 65,604	\$ 20,836,599	\$ 1,687,728	\$ 1,023,823	\$ 23,548,150