

City Parks Foundation

Financial Statements

December 31, 2018 and 2017

Independent Auditors' Report

Board of Directors City Parks Foundation

We have audited the accompanying financial statements of City Parks Foundation ("CPF"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year 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 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 audit. We conducted our audit 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 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 the City Parks Foundation as of December 31, 2018, and the changes its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statement, during the year ended December 31, 2018, CPF adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of City Parks Foundation as of December 31, 2017, were audited by other auditors whose report dated June 29, 2018, expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent in all material respects, except as discussed in Note 2, with the audited financial statements which it was derived.

PKF O'Connor Davies, LLP

June 14, 2019

City Parks Foundation

Statement of Financial Position December 31, 2018

(with comparative amounts at December 31, 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 4,424,794	\$ 5,884,422
Assets limited as to use	7,147,751	7,120,701
Investments	22,265,845	24,260,580
Contributions and grants receivable	2,574,311	4,819,398
Prepaid expenses and other assets	105,456	89,682
Property and equipment, net	<u>1,264,601</u>	<u>696,375</u>
	<u>\$ 37,782,758</u>	<u>\$ 42,871,158</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 1,247,558	\$ 1,625,836
Deferred revenue	<u>165,922</u>	<u>348,978</u>
Total Liabilities	<u>1,413,480</u>	<u>1,974,814</u>
 Net Assets		
Without Donor Restrictions		
Operating	2,192,201	3,073,547
Board designated fund	<u>10,905,996</u>	<u>12,019,005</u>
Total Without Donor Restrictions	13,098,197	15,092,552
 With donor restrictions	<u>23,271,081</u>	<u>25,803,792</u>
 Total Net Assets	<u>36,369,278</u>	<u>40,896,344</u>
	<u>\$ 37,782,758</u>	<u>\$ 42,871,158</u>

See notes to financial statements

City Parks Foundation

Statement of Activities Year Ended December 31, 2018 (with summarized totals for the year ended December 31, 2017)

	2018			2017 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT AND REVENUE				
Contributions and grants	\$ 1,594,482	\$ 9,177,691	\$ 10,772,173	\$ 14,470,563
Fundraising events, net of costs of direct benefits to donors of \$517,314 in 2018 and \$387,110 in 2017	535,699	521,792	1,057,491	1,023,774
Benefit concerts	1,396,509	-	1,396,509	1,794,883
In-kind contributions	3,294,612	-	3,294,612	3,275,050
Investment return	(428,332)	(376,827)	(805,159)	3,369,894
Earned income	4,179,157	-	4,179,157	3,780,533
Net assets released from restrictions	11,855,367	(11,855,367)	-	-
Total Support and Revenue	22,427,494	(2,532,711)	19,894,783	27,714,697
EXPENSES				
Program Services				
Arts and Culture	7,484,468	-	7,484,468	7,186,104
Partnerships for Parks	4,420,383	-	4,420,383	4,254,535
Education programs	1,361,787	-	1,361,787	1,368,895
Sports	1,712,426	-	1,712,426	1,566,365
Fiscal sponsorships	4,465,035	-	4,465,035	6,170,016
Capital projects	-	-	-	210,092
Environmental benefit projects	8,164	-	8,164	65,604
Total Program Services	19,452,263	-	19,452,263	20,821,611
Supporting Services				
General and administrative	1,310,661	-	1,310,661	1,687,728
Fundraising	999,982	-	999,982	1,023,823
Total Supporting Services	2,310,643	-	2,310,643	2,711,551
Total Expenses	21,762,906	-	21,762,906	23,533,162
Change in Net Assets before net asset transfer	664,588	(2,532,711)	(1,868,123)	4,181,535
Net asset transfer	(2,658,943)	-	(2,658,943)	(14,988)
Total Change in Net Assets	(1,994,355)	(2,532,711)	(4,527,066)	4,166,547
NET ASSETS				
Beginning of year	15,092,552	25,803,792	40,896,344	36,729,797
End of year	\$ 13,098,197	\$ 23,271,081	\$ 36,369,278	\$ 40,896,344

See notes to financial statements

City Parks Foundation

Statement of Functional Expenses Year Ended December 31, 2018 (with summarized totals for the year ended December 31, 2017)

	2018											2017 Total	
	Program Services						Supporting Services						
	Arts and Culture	Partnerships for Parks	Education Programs	Sports	Fiscal Sponsorship	Environmental Benefit Projects	Total	General and Administrative	Fundraising	Direct Costs of Fundraising Events			Total
Salaries	\$ 2,859,378	\$ 800,049	\$ 917,069	\$ 1,140,959	\$ 471,197	\$ -	\$ 6,188,652	\$ 695,585	\$ 563,273	\$ -	\$ 1,258,858	\$ 7,447,510	\$ 7,589,031
Payroll taxes and employee benefits	755,555	188,546	247,913	210,142	132,768	-	1,534,924	138,535	138,501	-	277,036	1,811,960	1,760,239
Total salaries and related expenses	3,614,933	988,595	1,164,982	1,351,101	603,965	-	7,723,576	834,120	701,774	-	1,535,894	9,259,470	9,349,270
Artist fees	1,533,644	16,855	-	-	189,991	-	1,740,490	-	-	-	-	1,740,490	1,941,728
Consultants and professional fees	792,157	23,222	127	88,754	1,532,643	6,844	2,443,747	133,626	114,671	37,967	248,297	2,692,044	3,837,037
Grants	-	77,524	-	-	-	-	77,524	-	-	-	-	77,524	121,825
Supplies	13,474	429,979	38,950	22,120	520,680	1,255	1,026,458	6,188	2,541	-	8,729	1,035,187	1,402,282
Equipment	886,935	36,706	24,850	46,233	995,132	-	1,989,856	14,175	-	115,757	14,175	2,004,031	2,063,351
Awards and recognition	-	32,445	3,860	7,528	25,954	-	69,787	704	175	4,581	879	70,666	84,250
Promotion and advertising	103,457	47,475	682	12,879	196,235	-	360,728	53,374	4,275	-	57,649	418,377	702,572
Telephone	10,358	8,145	2,924	938	670	-	23,035	2,373	1,101	-	3,474	26,509	19,059
Meetings and seminars	6,485	44,743	11,641	82	35,827	-	98,778	804	205	-	1,009	99,787	210,843
Postage and shipping	566	-	-	-	1,201	-	1,767	697	1,272	16,006	1,969	3,736	41,071
Insurance	49,109	1,014	-	2,191	516	-	52,830	42,539	-	-	42,539	95,369	101,029
Travel and entertainment	12,844	3,339	33,416	12,910	45,390	65	107,964	24,445	22,874	342,864	47,319	155,283	309,826
Dues, fees and technology	47,844	29,810	31,090	48,397	316,831	-	473,972	66,545	104,772	139	171,317	645,289	298,742
In-kind expense	390,331	2,680,531	49,265	-	-	-	3,120,127	128,163	46,322	-	174,485	3,294,612	3,275,050
Depreciation and amortization	22,331	-	-	119,293	-	-	141,624	2,908	-	-	2,908	144,532	162,337
Total Expenses	7,484,468	4,420,383	1,361,787	1,712,426	4,465,035	8,164	19,452,263	1,310,661	999,982	517,314	2,827,957	22,280,220	23,920,272
Less costs with direct benefit to donors	-	-	-	-	-	-	-	-	-	(517,314)	(517,314)	(517,314)	(387,110)
Total Expenses Reported by Function on the Statement of Activities	<u>\$ 7,484,468</u>	<u>\$ 4,420,383</u>	<u>\$ 1,361,787</u>	<u>\$ 1,712,426</u>	<u>\$ 4,465,035</u>	<u>\$ 8,164</u>	<u>\$ 19,452,263</u>	<u>\$ 1,310,661</u>	<u>\$ 999,982</u>	<u>\$ -</u>	<u>\$ 2,310,643</u>	<u>\$ 21,762,906</u>	<u>\$ 23,533,162</u>

City Parks Foundation

Statement of Cash Flows

Year Ended December 31, 2018

(with comparative amounts for the year ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ (4,527,066)	\$ 4,166,547
Adjustments to reconcile change in net assets net cash from operating activities:		
Depreciation and amortization	144,532	162,337
Realized gains on sales of investments	(474,139)	(1,084,710)
Unrealized loss (gain) on investments	2,133,426	(1,619,734)
Changes in operating assets and liabilities:		
Contributions and grants receivable	2,245,087	(2,997,230)
Prepaid expenses and other assets	(15,774)	38,059
Accounts payable and accrued expenses	(378,278)	862,052
Deferred revenue	<u>(183,056)</u>	<u>(431,560)</u>
Net Cash from Operating Activities	<u>(1,055,268)</u>	<u>(904,239)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	1,235,157	4,087,174
Purchases of investments	(899,709)	(2,438,836)
Acquisitions of property and equipment	(712,758)	(12,045)
Changes in assets limited as to use	<u>(27,050)</u>	<u>67,661</u>
Net Cash from Investing Activities	<u>(404,360)</u>	<u>1,703,954</u>
Net Change in Cash and Cash Equivalents	(1,459,628)	799,715
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>5,884,422</u>	<u>5,084,707</u>
End of year	<u>\$ 4,424,794</u>	<u>\$ 5,884,422</u>

See notes to financial statements

City Parks Foundation

Notes to Financial Statements
December 31, 2018 and 2017

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”).

CPF is 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. CPF’s programs – located in more than 400 parks, recreation centers and public schools across New York City – reach 300,000 people each year. CPF’s 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.

CPF’s primary sources of revenues are contributions and grants, earned income and investment income.

Components of Program Services

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

- **Arts and Culture**: CityParks Shows plays a central role in activating CPF’s mission to create vibrant and healthy urban communities through dynamic programming in parks for all New Yorkers. 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 200 artists performing free performances and benefit concerts each year in 18 parks throughout the city, ranging from indie, reggae, afrobeat, soul, modern dance, latin and much more. 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.

City Parks Foundation

Notes to Financial Statements
December 31, 2018 and 2017

1. Organization and Nature of Operations *(continued)*

Components of Program Services (continued)

- 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, CPF enables citizens to play an active and effective role in decisions regarding their local green spaces. In 2018 and 2017, more than 1,100 clean-up events in parks engaged 24,000 and 25,000 volunteers, improving over 360 individual parks for each year. In 2018 and 2017, PFP provided over 600 and 700 volunteers with leadership training and distributes grants each year to local park groups.
- Education programs: CityParks Learn plays a central role in activating CPF’s mission to create vibrant and healthy urban communities through dynamic outdoor programming for all New Yorkers. CPF’s 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. CPF provides environmental science programs for elementary, middle and high school students throughout New York City, serving nearly 5,000 kids through school-day, afterschool and summer programming, as well as credit-bearing training and paid internships for teenagers.
- Sports: CityParks Play has a central role in activating CPF’s mission to create vibrant and healthy urban communities through dynamic programming in parks for all New Yorkers. CPF serves 13,000 kids and seniors in New York City’s neighborhood parks with free sports programs including tennis, soccer, golf, track & field, and multi-sport instruction, and more. CPF helps residents of New York City stay active and healthy, discover new sports, and make new friends.
- Fiscal sponsorships: 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.

City Parks Foundation

Notes to Financial Statements
December 31, 2018 and 2017

1. Organization and Nature of Operations (continued)

Components of Program Services (continued)

- 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 and the East River (see Note 13).

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The preparation of financial statements in accordance with 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. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncements

On August 18, 2016, the FASB issued ASU 2016-14, Not-For-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-For-Profit Entities (“ASU 2016-14”). The update addresses the complexity and understanding of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. CPF has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to all periods presented. The new standards change the following aspects of CPF’s financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.

City Parks Foundation

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

The changes have the following effect on net assets as of December 31, 2017:

Net Asset Class	Originally Presented	Adoption of ASU 2016-14
Unrestricted net assets	\$ 15,092,552	\$ -
Temporarily restricted net assets	25,713,392	-
Permanently restricted net assets	90,400	-
Net assets without donor restrictions	-	15,092,552
Net assets with donor restrictions	-	<u>25,803,792</u>
Total Net Assets	<u>\$ 40,896,344</u>	<u>\$ 40,896,344</u>

Net Asset Presentation

CPF maintains its net assets under the following two classes:

Without donor restrictions – includes the net assets that are available for the general support of CPF’s operations. Net assets without donor restrictions may be used at the discretion of CPF’s management and Board of Directors (the “Board”). The Board has designated a portion of CPF’s net assets without donor restrictions as a Board designated endowment fund, wherein the assets will be retained for investment. CPF’s management hopes that the Board designated endowment fund will continue to grow to secure the long-term stability of CPF.

With donor restrictions – represent amounts restricted by donors to be used for specific activities or at some future date, or which require CPF to maintain in perpetuity the income of which can be used for specific or general purposes. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Income and gains earned on endowment fund investments are available to be used in the “with donor restrictions” or “without donor restrictions” net asset classes based upon stipulations by the donors.

Cash and 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.

Assets Limited as to Use

Assets limited as to use primarily include funds set aside from the DEC to finance environmental benefit projects in communities in and around Greenpoint, Brooklyn, along Newtown Creek and the East River.

City Parks Foundation

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies *(continued)*

Fair Value Measurements

CPF follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Contributions and Grants Receivable

Contributions and grants receivable that are expected to be collected within one year are recorded at net realizable value. Contributions and grants receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions and grants on the statement of activities. Conditional contributions and grants are not included as support until the conditions are substantially met.

CPF has not provided an allowance for doubtful accounts based upon prior experience and management deeming all accounts fully collectible.

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.

Impairment of Long-Lived Assets

Long-lived assets such as property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. CPF records impairment losses on long lived assets used in operations when the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. No impairment charges were recognized during the years ended December 31, 2018 and 2017.

City Parks Foundation

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies *(continued)*

Conditional Asset Retirement Obligations

CPF accounts for Conditional Asset Retirement Obligations (“CARO”) in accordance with U.S. GAAP, which defines a conditional asset retirement obligation as a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Uncertainty with respect to the timing and/or method of settlement of the asset retirement obligation does not defer recognition of a liability. The fair value of the CARO is recorded on a discounted basis and accreted over time for the change in fair value. Management has determined that there are no CARO liabilities that are required to be recorded.

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 New York City 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 is primarily generated from a sublicensed concessionaire that remits payments to CPF per contracted terms. 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 13).

Contributions

Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

In-kind Contributions

The value of office space, and facilities and personnel service costs (including fringe benefits) paid by DPR are reported as expenses and in-kind contributions in the accompanying statement 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.

Due to the unique nature and the difficulty in valuation of facilities provided by DPR and utilized for SummerStage and the Swedish Cottage Marionette Theatre in Central Park, CPF is unable to determine the value to record these in-kind contributions, nor their corresponding expenses in the accompanying statement of activities.

City Parks Foundation

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies *(continued)*

In-kind Contributions (continued)

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 statement of activities.

In-kind contributions were as follows for the years ended December 31, 2018 and 2017:

<u>In-kind Contributions</u>	<u>2018</u>	<u>2017</u>
Personnel service costs	\$ 2,905,698	\$ 2,847,067
Professional services	-	11,580
Office space	294,537	294,537
Telecommunications and computer support	94,377	121,866
	<u>\$ 3,294,612</u>	<u>\$ 3,275,050</u>

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 years ended December 31, 2018 and 2017, CPF entered into several such arrangements for which no revenue or expense was recognized as sufficient evidence of fair value was indeterminable.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management. CPF allocated direct costs to its four main program services: Arts and Culture, Partnerships for Parks, Education programs and Sports. Allocated expenses among program services and general and administrative include salaries, payroll taxes and employee benefits, information technology, and occupancy, which are allocated based on time and costs where efforts are made. All other operating expenses are deemed to be program related.

Fiscal Sponsorships

CPF has variance power over the fiscal sponsorship contributions it receives. The fiscal sponsorship contributions received by CPF and investment return allocated to fiscal sponsorship funds are recognized under contributions and grants on the statement of activities as with donor restrictions. The expenditures incurred for fiscal sponsorships are recognized as expenses by CPF and the corresponding net assets are released from restriction.

City Parks Foundation

Notes to Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies *(continued)*

Advertising Costs

Advertising costs are expensed when incurred. Advertising costs for the years ended December 31, 2018 and 2017 were \$418,377 and \$702,572.

Accounting for Uncertainty in Income Taxes

CPF recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that CPF has no uncertain tax positions that would require financial statement recognition or disclosure. CPF is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to December 31, 2015.

Reclassification

Certain information in the prior year's financial statements has been reclassified to conform to current year's presentation.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is June 14, 2019.

3. Investments

Investments consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Equity funds	\$ 12,396,016	\$ 14,428,436
Fixed income funds	<u>9,869,829</u>	<u>9,832,144</u>
	<u>\$ 22,265,845</u>	<u>\$ 24,260,580</u>

Investment return consisted of the following for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 854,128	\$ 665,450
Realized gains on sales of investments	474,139	1,084,710
Unrealized (loss) gain on investments	<u>(2,133,426)</u>	<u>1,619,734</u>
	<u>\$ (805,159)</u>	<u>\$ 3,369,894</u>

City Parks Foundation

Notes to Financial Statements
December 31, 2018 and 2017

3. Investments (continued)

Financial assets carried at fair value at December 31, 2018 and 2017 were classified in the table below as Level 1 as follows:

	2018	2017
Equity Funds		
Stock market index fund	\$ 4,636,163	\$ 5,809,821
International value fund	1,908,303	2,370,814
Small cap index fund	1,478,938	1,640,041
Dividend appreciation index fund	2,645,618	2,715,618
Fidelity contrafund	1,726,994	1,892,142
Total Equity Funds	12,396,016	14,428,436
Fixed Income Funds:		
Total bond market index fund	4,088,769	4,046,383
Inter-term investment grade fund	1,998,616	2,069,940
Inflation protected securities fund	1,537,168	1,558,854
PIMCO senior floating rate fund	2,245,276	2,156,967
Total Fixed Income Funds	9,869,829	9,832,144
Total Investments	\$ 22,265,845	\$ 24,260,580

CPF assumes that any transfers between fair value levels during the period occur at the beginning of the period. For the years ended December 31, 2018 and 2017, there were no significant transfers between fair value levels.

4. Concentrations of Credit Risk

Financial instruments that potentially subject CPF to a concentration of credit risk include cash and cash equivalents, and assets limited as to use, 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, 2018 and 2017, there was approximately \$8.9 million and \$10.5 million 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 \$1.6 million and \$1.5 million as of December 31, 2018 and 2017.

As of December 31, 2018 and 2017, one donor comprised 56% and 30% of contributions and grants receivable.

As of December 31, 2018, concentrations of CPF's investments amounting to 15% or more of the fair value of its total investment portfolio included approximately 21% invested in the Stock Market Index Fund and approximately 18% invested in the Total Bond Market Index Fund. 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 24% invested in the Stock Market Index Fund and approximately 17% invested in the Total Bond Market Index Fund.

City Parks Foundation

Notes to Financial Statements
December 31, 2018 and 2017

5. Contributions and Grants Receivable

Contributions and grants receivable amounted to \$2,574,311 and \$4,819,398 as of December 31, 2018 and 2017, 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, 2018 and 2017, no provision for uncollectible contributions and grants receivable was deemed necessary.

6. Property and Equipment

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

	2018	2017
Leasehold improvements	\$ 2,368,038	\$ 2,368,038
Construction in progress	712,758	-
Equipment	91,674	275,429
	3,172,470	2,643,467
Accumulated depreciation and amortization	(1,907,869)	(1,947,092)
Property and Equipment, net	\$ 1,264,601	\$ 696,375

7. Net Assets with Donor Restrictions

Net assets with donor restrictions were available for the following purposes at December 31:

	2018	2017
Subject to expenditure for specified purpose:		
Arts and Culture	\$ -	\$ 3,707
Partnerships for Parks	446,562	446,562
Sports	1,180,140	1,142,713
Fiscal sponsorships	13,388,108	17,011,650
Capital projects	1,025,000	-
Environmental benefit projects (Note 13)	7,140,871	7,108,760
Total Subject to Expenditure for Specified Purpose	23,180,681	25,713,392
Endowments subject to CPF's spending policy and appropriation:		
Investment in perpetuity (original amount of \$90,400 in 2018 and 2017), which once appropriated, is expendable to support:		
Nobel Monument	84,000	84,000
Seaman Veteran's Monument	6,400	6,400
Total endowments subject to CPF's spending policy and appropriation:	90,400	90,400
Total Net Assets with Donor Restrictions	\$ 23,271,081	\$ 25,803,792

City Parks Foundation

Notes to Financial Statements
December 31, 2018 and 2017

8. Net Assets Released from Donor Restrictions

Net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors, as follows during year ended December 31:

	<u>2018</u>	<u>2017</u>
Arts and Culture	\$ 1,514,496	\$ 1,496,704
Partnerships for Parks	1,736,171	1,935,848
Education programs	620,701	715,211
Sports	1,045,136	1,122,240
Fiscal sponsorship	6,930,700	6,422,405
Capital projects	-	195,098
Environmental benefit projects	8,163	65,604
Other	-	177,005
	<u>\$ 11,855,367</u>	<u>\$ 12,130,115</u>

9. Endowment Net Assets

Interpretation of Relevant Law

CPF has interpreted the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary, and except in those cases where the law allows appropriation for spending of the original gift amounts. As a result of this interpretation, CPF retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not retained in perpetuity is subject to appropriation for expenditure by CPF in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Return Objectives and Risk Parameters

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.

City Parks Foundation

Notes to Financial Statements
December 31, 2018 and 2017

9. Endowment Net Assets *(continued)*

Return Objectives and Risk Parameters (continued)

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).

Spending Policy

It is CPF's policy to annually spend 5% of the Board's designated endowment based upon a three-year moving average, if needed, for operational purposes.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or NYPMIFA requires CPF to retain as a fund of perpetual duration. CPF had not incurred such deficiencies in its endowment funds as of December 31, 2018 and 2017.

Changes in endowment net assets for the year ended December 31, 2018 were as follows:

	2018			Total
	Without Donor Restrictions - Board Designated	With Donor Restrictions: Purpose	With Donor Restrictions: Investments Held in Perpetuity	
Investment Activity:				
Interest and dividends	\$ 384,503	\$ 410,798	\$ -	\$ 795,301
Realized gains	229,479	244,660	-	474,139
Unrealized losses	<u>(1,029,616)</u>	<u>(1,103,810)</u>	<u>-</u>	<u>(2,133,426)</u>
Total Investment Activity	<u>(415,634)</u>	<u>(448,352)</u>	<u>-</u>	<u>(863,986)</u>
Releases from endowments	<u>(697,375)</u>	<u>(572,746)</u>	<u>-</u>	<u>(1,270,121)</u>
Endowment net assets, beginning of year	<u>12,019,005</u>	<u>12,672,794</u>	<u>90,400</u>	<u>24,782,199</u>
Endowment net assets, end of year	<u>\$ 10,905,996</u>	<u>\$ 11,651,696</u>	<u>\$ 90,400</u>	<u>\$ 22,648,092</u>

City Parks Foundation

Notes to Financial Statements
December 31, 2018 and 2017

9. Endowment Net Assets *(continued)*

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

	2017			Total
	Without Donor Restrictions - Board Designated	With Donor Restrictions: Purpose	With Donor Restrictions: Investments Held in Perpetuity	
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	807,927	811,807	-	1,619,734
Total Investment Activity	1,653,332	1,676,799	-	3,330,131
Releases from endowments	(1,743,652)	(894,314)	-	(2,637,966)
Endowment net assets, beginning of year	12,109,325	11,814,809	90,400	24,014,534
Endowment net assets, end of year	\$ 12,019,005	\$ 12,672,794	\$ 90,400	\$ 24,782,199

10. Fiscal Sponsorships

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 a fiscal sponsor.

CPF's fiscal sponsorship of parks community groups (the "group") 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 or these 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.

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Notes to Financial Statements
December 31, 2018 and 2017

10. Fiscal Sponsorships (*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 years ended December 31, 2018 and 2017, CPF transferred \$2,658,943 (inclusive of \$2,654,297 for the Natural Areas Conservancy, Note 13) and \$14,988 of fiscal sponsor funds to fiduciary accounts administered by DPR. Such amounts are reflected as a net asset transfer in the accompanying statement of activities.

During 2018, a new organization gained its 501(c)(3) status named the Natural Areas Conservancy, unrelated to CPF. CPF expended from with donor restricted funds \$2,654,297, related to the Natural Areas Conservancy.

11. Contingencies and Commitments

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.

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.

Commitments

During 2018 and 2017, approximately 25% of CPF's employees are covered by a collective bargaining agreement. The labor contract with the Theatrical Protective Union Local One ("Local One") was renewed and executed in August 2017 and expires in April 2020.

12. Employee Benefit Plans

Defined Contribution Plan

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 years ended December 31, 2018 and 2017, CPF matched employee contributions up to 3% of gross compensation, amounting to \$93,068 and \$95,285.

City Parks Foundation

Notes to Financial Statements
December 31, 2018 and 2017

12. Employee Benefit Plans (continued)

Multiemployer Pension Plan

CPF contributes to the Pension Fund of Local No. 1 of I.A.T.S.E. multiemployer defined benefit pension plan (the “Plan”) under the terms of a collective-bargaining agreement that covers its union-represented employees. The risks of participating in the multiemployer plan are different from a single-employer plan in the following aspects:

- a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If an employer chooses to stop participating in some of its multiemployer plans, the employer may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

CPF’s participation in this type of plan for the years ended December 31, 2018 and 2017 is outlined in the table below. The “EIN Number” column provides the Employer Identification Number (“EIN”) for the Plan. The most recent Pension Protection Act (“PPA”) zone status available is for the Plan’s year-end at December 31, 2017. The zone status is based on information that CPF received from the Plan and is certified by the actuaries of the Plan. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The “FIP/RP Status Pending/Implemented” column indicates plans for which a financial improvement plan (“FIP”) or a rehabilitation plan (“RP”) is pending or has been implemented. The last column lists the expiration date of the collective bargaining agreement to which the Plan is subject.

Pension Fund	EIN Number	Plan Number	Pension Protection Act		FIP/RP Status Pending/ Implemented	Contributions by CPF		Surcharge Imposed	Expiration Date of Collective- Bargaining Agreement
			Zone Status			2018	2017		
			2018	2017					
Pension Fund of Local No. 1 of I.A.T.S.E.	13-6414973	001	Green	Green	Yes	\$ 285,256	\$ 216,902	No	4/20/2020

Form 5500 is not yet available for the plan year ended December 31, 2018.

City Parks Foundation

Notes to Financial Statements
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13. 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 general and administrative costs.

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, 2018 and 2017. 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 general and administrative costs in accordance with the project agreement. As of December 31, 2018 and 2017, the funds held by CPF for this purpose amounted to \$7,147,751 and \$7,120,701, and are reflected as assets limited as to use in the accompanying statement of financial position. These amounts are also included in with donor restrictions as of December 31, 2018 and 2017 and will be released from restriction as amounts are disbursed by CPF for environmental benefit projects.

14. Related Party Transactions (*Not Disclosed Elsewhere*)

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

Related party transactions were recorded as professional fees and amounted to approximately \$25,000 and \$53,000 for the years ended December 31, 2018 and 2017.

City Parks Foundation

Notes to Financial Statements
December 31, 2018 and 2017

15. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial Assets:	
Cash and cash equivalents	\$ 4,424,794
Restricted cash	6,626,709
Investments	22,265,845
Other investments	521,042
Contributions and grants receivable	<u>2,574,311</u>
Total Financial Assets	<u>36,412,701</u>
Less amounts not available to be used within one year:	
Restricted by donor with purpose restrictions	23,180,681
Restricted by donor to be held in perpetuity	<u>90,400</u>
	<u>23,271,081</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 13,141,620</u>

CPF endowment funds consists of funds designated by the Board as endowments and donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use in the absence of language from the donor.

The CPF board designated endowment of \$10,905,996 is subject to an annual spending rate of 5% as described in Note 9. Although CPF does not intend to spend from the Board-designated fund, other than amounts appropriated for general expenditure as part of the annual budget approval and appropriation, these amounts could be made available if necessary.

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