



CENTRAL PARK CONSERVANCY, INC.

Financial Statements and Schedule

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Trustees
Central Park Conservancy, Inc.:

We have audited the accompanying financial statements of Central Park Conservancy, Inc. (the Conservancy) which comprise the balance sheets as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Conservancy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Central Park Conservancy, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.



Other Matters

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

KPMG LLP

November 22, 2013

CENTRAL PARK CONSERVANCY, INC.

Balance Sheets

June 30, 2013 and 2012

(Dollars in thousands)

Assets	2013	2012
Cash	\$ 6,040	5,796
Short-term investments (note 3)	21,251	49,733
Accounts receivable (note 11)	8,084	7,774
Prepaid expenses and other assets	890	896
Contributions receivable, net (note 4)	62,385	10,223
Investments held for endowment (note 3)	183,168	137,787
Other long-term investments (note 3)	51,554	—
Investments held under split-interest agreements	1,107	1,013
457(b) deferred compensation plan (note 9)	813	615
Fixed assets, net (note 5)	3,964	3,000
Total assets	<u>\$ 339,256</u>	<u>216,837</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 5,222	4,886
Liabilities under split-interest agreements	702	686
Other liabilities	632	526
457(b) deferred compensation plan liability (note 9)	813	615
Total liabilities	<u>7,369</u>	<u>6,713</u>
Net assets:		
Unrestricted:		
Available for operations	2,118	21,907
Board designated (notes 6 and 7)	76,289	49,327
Total unrestricted	<u>78,407</u>	<u>71,234</u>
Temporarily restricted (notes 6 and 7)	168,221	57,691
Permanently restricted (notes 6 and 7)	85,259	81,199
Total net assets	<u>331,887</u>	<u>210,124</u>
Total liabilities and net assets	<u>\$ 339,256</u>	<u>216,837</u>

See accompanying notes to financial statements.

CENTRAL PARK CONSERVANCY, INC.

Statement of Activities

Year ended June 30, 2013

(With comparative summarized totals for 2012)

(Dollars in thousands)

	Unrestricted			Temporarily restricted	Permanently restricted	Totals	
	Operations	Board designated	Total unrestricted			2013	2012
Revenues, gains (losses), and other support:							
Contributions (notes 3 and 4)	\$ 18,812	3,277	22,089	119,441	3,171	144,701	27,216
Revenue from the City of New York:							
Contract revenue (note 11)	5,814	—	5,814	—	—	5,814	5,158
Project revenue (note 11)	1,818	2,206	4,024	—	—	4,024	5,248
Special events revenue	4,886	—	4,886	—	—	4,886	5,314
Less expenses incurred for direct donor benefits	(685)	—	(685)	—	—	(685)	(1,057)
Special events revenue, net	4,201	—	4,201	—	—	4,201	4,257
Interest and dividends, net of investment expenses of \$988	34	580	614	2,680	—	3,294	423
Net appreciation (depreciation) in fair value on investments	(241)	1,990	1,749	503	889	3,141	(8,146)
Change in value of split-interest agreements	—	(1)	(1)	—	—	(1)	(50)
Other (note 8)	1,982	—	1,982	—	—	1,982	1,990
Total revenues and gains	32,420	8,052	40,472	122,624	4,060	167,156	36,096
Net assets released from restrictions:							
Contributions, other revenues, and gains (losses)	12,593	(4,020)	8,573	(8,573)	—	—	—
Administrative cost recovery	3,991	(470)	3,521	(3,521)	—	—	—
Total net assets released from restrictions	16,584	(4,490)	12,094	(12,094)	—	—	—
Total revenues, gains, and other support	49,004	3,562	52,566	110,530	4,060	167,156	36,096
Expenses:							
Program services:							
Planning, design, and construction	8,271	—	8,271	—	—	8,271	7,470
Horticulture, maintenance, and operations	20,350	—	20,350	—	—	20,350	18,022
Visitor services	5,344	—	5,344	—	—	5,344	4,518
Total program services	33,965	—	33,965	—	—	33,965	30,010
Supporting services:							
Fund-raising	6,218	—	6,218	—	—	6,218	5,974
Management and general	5,210	—	5,210	—	—	5,210	4,820
Total supporting services	11,428	—	11,428	—	—	11,428	10,794
Total expenses	45,393	—	45,393	—	—	45,393	40,804
Increase (decrease) in net assets before transfers	3,611	3,562	7,173	110,530	4,060	121,763	(4,708)
Transfers	(23,400)	23,400	—	—	—	—	—
Increase (decrease) in net assets	(19,789)	26,962	7,173	110,530	4,060	121,763	(4,708)
Net assets at beginning of year	21,907	49,327	71,234	57,691	81,199	210,124	214,832
Net assets at end of year	\$ 2,118	76,289	78,407	168,221	85,259	331,887	210,124

See accompanying notes to financial statements.

CENTRAL PARK CONSERVANCY, INC.

Statement of Activities

Year ended June 30, 2012

(Dollars in thousands)

	<u>Unrestricted</u>					
	<u>Operations</u>	<u>Board designated</u>	<u>Total unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Totals 2012</u>
Revenues, gains (losses), and other support:						
Contributions (notes 3 and 4)	\$ 13,158	3,501	16,659	8,746	1,811	27,216
Revenue from the City of New York:						
Contract revenue (note 11)	5,158	—	5,158	—	—	5,158
Project revenue (note 11)	1,201	4,047	5,248	—	—	5,248
Special events revenue	5,314	—	5,314	—	—	5,314
Less expenses incurred for direct donor benefits	(1,057)	—	(1,057)	—	—	(1,057)
Special events revenue, net	4,257	—	4,257	—	—	4,257
Interest and dividends, net of investment expenses of \$804	48	51	99	324	—	423
Net appreciation (depreciation) in fair value on investments	24	(1,814)	(1,790)	(4,577)	(1,779)	(8,146)
Change in value of split-interest agreements	—	(50)	(50)	—	—	(50)
Other (note 8)	1,990	—	1,990	—	—	1,990
Total revenues and gains	<u>25,836</u>	<u>5,735</u>	<u>31,571</u>	<u>4,493</u>	<u>32</u>	<u>36,096</u>
Net assets released from restrictions:						
Contributions, other revenues, and gains (losses)	16,431	(6,111)	10,320	(10,320)	—	—
Administrative cost recovery	1,429	(456)	973	(973)	—	—
Total net assets released from restrictions	<u>17,860</u>	<u>(6,567)</u>	<u>11,293</u>	<u>(11,293)</u>	<u>—</u>	<u>—</u>
Total revenues, gains, and other support	<u>43,696</u>	<u>(832)</u>	<u>42,864</u>	<u>(6,800)</u>	<u>32</u>	<u>36,096</u>
Expenses:						
Program services:						
Planning, design, and construction	7,470	—	7,470	—	—	7,470
Horticulture, maintenance, and operations	18,022	—	18,022	—	—	18,022
Visitor services	4,518	—	4,518	—	—	4,518
Total program services	<u>30,010</u>	<u>—</u>	<u>30,010</u>	<u>—</u>	<u>—</u>	<u>30,010</u>
Supporting services:						
Fund-raising	5,974	—	5,974	—	—	5,974
Management and general	4,820	—	4,820	—	—	4,820
Total supporting services	<u>10,794</u>	<u>—</u>	<u>10,794</u>	<u>—</u>	<u>—</u>	<u>10,794</u>
Total expenses	<u>40,804</u>	<u>—</u>	<u>40,804</u>	<u>—</u>	<u>—</u>	<u>40,804</u>
Increase (decrease) in net assets	2,892	(832)	2,060	(6,800)	32	(4,708)
Net assets at beginning of year	19,015	50,159	69,174	64,491	81,167	214,832
Net assets at end of year	<u>\$ 21,907</u>	<u>49,327</u>	<u>71,234</u>	<u>57,691</u>	<u>81,199</u>	<u>210,124</u>

See accompanying notes to financial statements.

CENTRAL PARK CONSERVANCY, INC.

Statements of Cash Flows

Years ended June 30, 2013 and 2012

(Dollars in thousands)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 121,763	(4,708)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	696	543
Net (appreciation) depreciation in fair value on investments	(3,141)	8,146
Change in value of split-interest agreements	1	50
Permanently restricted contributions and earnings classified as financing activities	(4,060)	(32)
Changes in operating assets and liabilities:		
Increase in accounts receivable	(310)	(1,128)
Decrease (increase) in prepaid expenses and other assets	6	(288)
Increase in contributions receivable, net of amounts classified as financing activities	(52,169)	(1,417)
Increase in accounts payable and accrued expenses	336	389
Increase in other liabilities	106	526
Net cash provided by operating activities	<u>63,228</u>	<u>2,081</u>
Cash flows from investing activities:		
Proceeds from sale of investments	212,006	228,480
Purchases of investments	(277,413)	(229,911)
Acquisition of fixed assets	(1,660)	(1,669)
Net cash used in investing activities	<u>(67,067)</u>	<u>(3,100)</u>
Cash flows from financing activities:		
Permanently restricted contributions and earnings	4,060	32
Decrease in permanently restricted contributions receivable	7	441
Net change in liabilities under split-interest agreements	16	41
Net cash provided by financing activities	<u>4,083</u>	<u>514</u>
Net increase (decrease) in cash	244	(505)
Cash at beginning of year	<u>5,796</u>	<u>6,301</u>
Cash at end of year	<u>\$ 6,040</u>	<u>5,796</u>

See accompanying notes to financial statements.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

(1) Organization

Central Park Conservancy, Inc. (the Conservancy) is a not-for-profit organization incorporated under the laws of New York State and is a tax-exempt organization under the Internal Revenue Code.

The Conservancy is funded primarily from contributions made by individuals, corporations, and foundations within the metropolitan area, as well as project and contract revenue from the City of New York/Department of Parks and Recreation. These amounts are used to fund major capital improvements, provide horticultural care and maintenance, and offer programs for volunteers and visitors of Central Park. The major capital improvements are not capitalized assets of the Conservancy but are assets of the City of New York.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis.

(b) Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Conservancy and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions. However, the board of trustees may choose to designate such funds for particular uses.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that will be met either by actions of the Conservancy and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that the Conservancy maintains permanently. Generally, the donors of these assets permit the Conservancy to use all or part of the income earned on related investments for general or specific purposes.

Revenues, gains, and other support are reported as increases in unrestricted net assets unless their use is limited by explicit donor-imposed restrictions or by law. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-imposed stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

(c) ***Contributions***

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period in which the pledge or cash is received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows, net of allowances. Conditional promises to give are not recognized until they become unconditional, that is, when the future and uncertain event on which they depend has occurred.

(d) ***Fair Value Measurements***

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Conservancy discloses fair value measurements by level within that hierarchy. The fair value hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Conservancy has the ability to access at the measurement date.

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 Inputs that are unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

(e) ***Investments***

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based upon quoted market prices with gains and losses included in the statements of activities. Donated securities are measured at fair value at the date of the contribution and investments in real estate are recorded at net asset value provided by the fund manager based upon the underlying net assets of the fund.

The Conservancy follows the provisions of Accounting Standards Update (ASU) No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, relating to certain investments in funds that do not have readily determinable fair values, including private equities, hedge funds, real estate, and other funds (alternative investments). ASU 2009-12 allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent, as provided by the investment managers. The Conservancy reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the net asset values of these investments. These estimated fair values may differ

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

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

Most investments classified in Levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund is used as a practical expedient to estimate fair value of the Conservancy's interest therein, its classification in Level 2 or 3 is based on the Conservancy's ability to redeem its interest at or near June 30. If the interest can be redeemed in the near term, the investment is classified as Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

(f) *Income Taxes*

The Conservancy follows ASU No. 2009-06, *Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities* (ASU 2009-06), in conjunction with its adoption of Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (now included in Accounting Standards Codification (ASC) Subtopic 740-10, *Income Taxes – Overall*). The Conservancy recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Income generated from activities unrelated to the Conservancy's exempt purpose is subject to tax. The Conservancy did not have any material unrelated business income tax liabilities for the years ended June 30, 2013 and 2012.

(g) *Fixed Assets*

Fixed assets are recorded at cost. Furniture and equipment are depreciated using the straight-line method over their estimated useful lives. Leasehold improvements are amortized over the term of the lease or life of the asset, whichever is shorter.

(h) *Split-Interest Agreements*

The Conservancy's split-interest agreements with donors consist primarily of charitable gift annuities and irrevocable charitable remainder trusts for which the Conservancy serves as trustee. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements. The investments held under split-interest agreements are invested principally in mutual funds, which are fair valued as of June 30 using Level 1 inputs in the fair value hierarchy.

Contribution revenue for charitable gift annuities and charitable remainder trusts is recognized at the date the agreement is established, net of the liability recorded for the present value of the estimated future payments to be made to the respective donors and/or other beneficiaries.

The present value of payments to beneficiaries of charitable gift annuities and charitable remainder trusts is calculated using discount rates, which represent the risk-adjusted rates in existence at the date of the gift. Gains or losses resulting from changes in actuarial assumptions and accretions of the

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

discount are recorded as increases or decreases in the respective net asset class in the accompanying statements of activities.

(i) *Cash and Cash Equivalents*

For the purpose of the statements of cash flows, the Conservancy considers highly liquid investments purchased with an original maturity of three months or less, other than those held in the investment portfolio, to be cash equivalents.

(j) *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of fixed assets, allowances for doubtful accounts, the valuation of investments, income tax uncertainties, and other contingencies.

(k) *Functional Allocation of Expenses*

The costs of providing the various programs and other activities of the Conservancy have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(l) *Risks and Uncertainties*

The Conservancy invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheets.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

(3) Investments

A summary of the fair value of investments at June 30, 2013 and 2012 is as follows:

		June 30, 2013			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short-term investments:					
U.S. Treasury plus money market funds	\$	21,251	—	—	21,251
Investments held for endowment:					
U.S. Treasury money market funds	\$	13,335	—	—	13,335
U.S. Treasury bonds		33,389	—	—	33,389
Domestic equities		39,463	—	—	39,463
Foreign equities		66,394	—	—	66,394
Alternative investments:					
Real estate		—	—	5,839	5,839
Absolute return		—	—	9,122	9,122
Domestic equities		—	4,083	—	4,083
Foreign equities		—	6,285	5,258	11,543
Total investments held for endowment	\$	<u>152,581</u>	<u>10,368</u>	<u>20,219</u>	<u>183,168</u>
Other long term investments:					
U.S. Treasury money market funds	\$	34	—	—	34
U.S. Treasury bonds		9,734	—	—	9,734
Alternative investments:					
Absolute return		—	—	19,288	19,288
Domestic equities		—	—	18,951	18,951
Other		—	—	3,547	3,547
Total other long-term investments	\$	<u>9,768</u>	<u>—</u>	<u>41,786</u>	<u>51,554</u>

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

	June 30, 2012			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short-term investments:				
U.S. Treasury plus money market funds	\$ 49,733	—	—	49,733
Investments held for endowment:				
U.S. Treasury money market funds	\$ 18,280	—	—	18,280
U.S. Treasury bonds	33,849	—	—	33,849
Domestic equities	35,450	—	—	35,450
Foreign equities	48,908	—	—	48,908
Alternative investment:				
Real estate	—	—	1,300	1,300
Total investments held for endowment	\$ 136,487	—	1,300	137,787

Included in the investment pool are unrestricted assets of \$7,002 and \$3,367 for fiscal years 2013 and 2012, respectively.

The following table presents the Conservancy's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at June 30:

	<u>Real estate</u>	<u>Absolute return</u>	<u>Domestic equities</u>	<u>Foreign equities</u>	<u>Other</u>	<u>Total</u>
June 30, 2011	\$ —	—	—	—	—	—
Purchases	1,300	—	—	—	—	1,300
June 30, 2012	1,300	—	—	—	—	1,300
Purchases	4,477	28,000	20,000	5,000	10,000	67,477
Net appreciation (depreciation)	62	410	(1,049)	258	(6,453)	(6,772)
June 30, 2013	\$ 5,839	28,410	18,951	5,258	3,547	62,005

At June 30, 2013, the Conservancy had outstanding commitments to invest in private equity or venture capital limited partnerships. As of June 30, 2013, the Conservancy committed approximately 30.8% of the total investment balance in alternative investments.

Under the terms of the limited partnership agreements, the Conservancy is obligated to periodically advance additional funding for its partnership investments. The unfunded commitments have not been recorded as a liability in the accompanying balance sheets. Such commitments generally have fixed expiration dates or other termination clauses. The Conservancy maintains sufficient liquidity in its investment portfolio to cover such calls.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

The following table represents the strategies and related redemption information to the Conservancy's investments held for endowment measured at net asset value.

	2013			
	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Investments held for endowment:				
Real estate fund	\$ 5,839	13,996	None	Not applicable
Absolute return	9,122	—	No redemptions	Not applicable
Domestic equities	4,083	—	Quarterly	60 days
Foreign equities	11,543	—	Weekly, none	7 days, not applicable
	<u>\$ 30,587</u>	<u>13,996</u>		

During fiscal year 2013, one board member made a contribution of \$100,000 to the Conservancy and required that \$50,000 of the gift be invested in specific alternative investment funds (the Funds) that are managed by his firm and charged usual and customary fees.

Notwithstanding any provisions of any of the invested Funds, or any rights set forth in any Fund's Offering Memorandum or Articles of Association to the contrary, the Conservancy agrees not to submit requests for redemption until 2018 without obtaining the mutual consent of the Donor and the Conservancy. Furthermore, in years 2018 through 2022, the Conservancy agrees that it shall (i) only submit requests for redemption of no more than 10% of the balance of the total of its investment in all funds valued at the end of the prior year, and (ii) use such redemptions strictly for capital expenditures (and related operating expenses) unless the mutual consent of the Donor and the Conservancy is obtained. As of January 1, 2023, the Conservancy may withdraw any portion of the remaining balance, as it shall determine.

(4) Contributions Receivable

Contributions receivable at June 30, 2013 and 2012 are due to be collected as follows:

	2013	2012
Less than one year	\$ 13,380	3,203
One to five years	48,319	5,618
Five years and thereafter	2,602	2,140
	<u>64,301</u>	<u>10,961</u>
Allowance	(288)	(347)
Discount to present value (at rates ranging from 0.72% – 5.10%)	(1,628)	(391)
Contributions receivable, net	<u>\$ 62,385</u>	<u>10,223</u>

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

Included in contributions receivable at June 30, 2013 is a receivable of \$40 million from a board member payable in equal installments over the next four years.

(5) Fixed Assets

A summary of fixed assets at June 30, 2013 and 2012 is as follows:

	2013	2012	Estimated useful lives
Furniture and fixtures	\$ 1,042	887	5 to 10 years
Office and field equipment	6,050	4,706	3 years
Leasehold improvements	1,657	1,495	10 years
	8,749	7,088	
Less accumulated depreciation and amortization	(4,785)	(4,088)	
	\$ 3,964	3,000	

(6) Net Assets

(a) Unrestricted – Board-designated

Unrestricted – board-designated net assets are available for the following purposes at June 30, 2013 and 2012:

	2013	2012
Design and construction	\$ 32,354	27,106
Horticulture, maintenance, and operations	6,838	5,352
Visitor services	115	107
General purposes	36,982	16,762
	\$ 76,289	49,327

(b) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2013 and 2012:

	2013	2012
Design and construction	\$ 120,680	17,984
Horticulture, maintenance, and operations	39,188	33,472
Visitor services	3,589	2,635
General purposes	4,764	3,600
	\$ 168,221	57,691

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

(c) Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support the following purposes at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Horticulture, maintenance, and operations	\$ 76,019	72,284
Visitor services	5,311	5,106
General purposes	3,929	3,809
	<u>\$ 85,259</u>	<u>81,199</u>

(7) Endowment Funds

The Conservancy's endowment consists of 83 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Conservancy to function as endowments.

The Conservancy's management and investment of donor-restricted endowment funds have historically been subject to the provisions of the Uniform Management of Institutional Funds Act (UMIFA) and the New York State Trust Laws. In 2006, the Uniform Law Commission approved the model act, the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which serves as a guideline for states to use in enacting legislation. Among UPMIFA's most significant changes was the elimination of UMIFA's important concept of historical dollar-value threshold, the amount below which an organization could not spend from the fund in favor of a more robust set of guidelines about what constitutes prudent spending. In fiscal year 2011, New York State enacted the New York Prudent Management of Institutional Funds Act (NYPMIFA).

Pursuant to the investment policy approved by the board, the Conservancy has interpreted the NYPMIFA as allowing the Conservancy to appropriate for expenditure or accumulate so much of a donor-restricted endowment fund as the Conservancy deems prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument absent explicit donor stipulations to the contrary. As a result of this interpretation, the Conservancy has not changed the way permanently restricted net assets are classified.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standards of prudence prescribed by NYPMIFA.

The Conservancy's board of trustees has authorized a policy designed to preserve the value of these pooled investments in real terms (after inflation) and provide a predictable flow of funds to support operations. The Conservancy's investment pool includes contributions, interest, dividends, and realized and unrealized gains and losses, net of investment management fees. The policy permits the use of a spending rate of up to a maximum of 6% applied to a moving average of the value of the investment pool as of December 31 of

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

the five previous years. In both fiscal years 2013 and 2012, the Conservancy utilized a rate of 5% of the total investment pool. In fiscal years 2013 and 2012, the related amounts that were used to support operations were \$6,322 and \$6,333, respectively.

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

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or the law requires to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets as of June 30, 2012 were \$1,133. There were no such deficiencies at June 30, 2013. This deficiency results from unfavorable market fluctuations subsequent to the investment of permanently restricted contributions. Subsequent gains that restore the fair value of the assets of the donor-restricted endowment fund to the required level will be classified as an increase in unrestricted net assets. Any changes to the fair value of such deficiencies is reported as a net underwater adjustment in the following table of endowment activity for the years ended June 30, 2013 and 2013.

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June 30, 2013 and 2012

(Dollars in thousands)

Endowment Net Assets

The following tables reflect the activity in the net asset classes of the Conservancy's donor-restricted and board-designated endowment funds:

	For the year ended June 30, 2013			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, June 30, 2012	\$ 18,153	35,068	81,199	134,420
Investment income	580	2,680	—	3,260
Net appreciation (realized and unrealized)	859	9,844	895	11,598
Net underwater adjustment	1,133	(1,127)	(6)	—
	<u>1,992</u>	<u>8,717</u>	<u>889</u>	<u>11,598</u>
Return on investment, net	2,572	11,397	889	14,858
Contributions	39	—	3,171	3,210
Transfers to create board designated funds	30,000	—	—	30,000
Appropriation of endowment assets for expenditure	(1,024)	(5,298)	—	(6,322)
Endowment net assets, June 30, 2013	<u>\$ 49,740</u>	<u>41,167</u>	<u>85,259</u>	<u>176,166</u>
Composition of endowment as of June 30, 2013:				
Donor-restricted endowment funds	\$ —	41,167	85,259	126,426
Board-designated endowment funds	49,740	—	—	49,740
	<u>\$ 49,740</u>	<u>41,167</u>	<u>85,259</u>	<u>176,166</u>

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

	For the year ended June 30, 2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, June 30, 2011	\$ 20,907	44,622	81,167	146,696
Investment income	50	324	—	374
Net depreciation (realized and unrealized)	(1,120)	(5,266)	(1,784)	(8,170)
Net underwater adjustment	(694)	689	5	—
	(1,814)	(4,577)	(1,779)	(8,170)
Return on investment, net	(1,764)	(4,253)	(1,779)	(7,796)
Contributions	42	—	1,811	1,853
Appropriation of endowment assets for expenditure	(1,032)	(5,301)	—	(6,333)
Endowment net assets, June 30, 2012	\$ 18,153	35,068	81,199	134,420
Composition of endowment as of June 30, 2012				
Donor-restricted endowment funds	\$ (1,133)	35,068	81,199	115,134
Board-designated endowment funds	19,286	—	—	19,286
	\$ 18,153	35,068	81,199	134,420

(8) Other Revenue, Contributed Services, and Facilities

A summary of other revenue at June 30, 2013 and 2012 is as follows:

	2013	2012
Merchandise sales, program revenue, and fees	\$ 1,138	1,027
Contributed services and facilities	844	963
	\$ 1,982	1,990

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

The fair value of these services is included as other revenue and allocated to functional expenses in the statements of activities as follows:

	<u>2013</u>	<u>2012</u>
Planning, design, and construction	\$ 79	87
Horticulture, maintenance, and operations	193	169
Visitor services	280	289
Fund-raising	213	331
Management and general	79	87
	<u>\$ 844</u>	<u>963</u>

In addition, many individuals have volunteered their time to the Conservancy. The value of these services is not included in the accompanying financial statements.

(9) Retirement Plan

The Conservancy has a defined-contribution retirement plan (the Plan) under Section 403(b) of the Internal Revenue Code in which all employees, as defined, are eligible to participate. In fiscal year 2010, the Conservancy amended the Plan by adding a new mutual fund platform to the existing annuity product. This change was implemented to enhance and create a more competitive retirement plan. Participants may make voluntary contributions, subject to plan limitations, to be applied toward the mutual fund platform. Contributions no longer flow into the annuity platform.

The Conservancy is obligated to contribute 5% of the employee's base compensation, for all eligible employees, as defined. The Conservancy is also obligated to match employee contributions up to a maximum of 1% of the employee's base compensation, for all eligible employees, as defined. For the years ended June 30, 2013 and 2012, the Conservancy contributed \$1,066 and \$972, respectively, to the Plan on behalf of its employees. All contributions vest immediately.

In fiscal year 2007, the Conservancy implemented a deferred compensation plan (the Plan) under Section 457(b) of the Internal Revenue Code in which the Conservancy will contribute \$15 per annum for each officer of the Conservancy, as defined. For the years ended June 30, 2013 and 2012, the Conservancy contributed \$90 to the Plan, in both years.

(10) Commitments and Contingencies

(a) Lease

Effective July 1, 2011, the Conservancy extended the terms of its existing lease agreement to include additional office space in New York City. The extension expires in 2023. Annual lease payments include minimum base rent subject to escalation charges and a proportionate share of any increase in real estate taxes.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

Future minimum lease payments are as follows:

	<u>Amount</u>
Year ending June 30:	
2014	\$ 1,013
2015	1,013
2016	1,035
2017	1,091
2018	930
Thereafter	<u>4,702</u>
	<u>\$ 9,784</u>

Rent expense for the years ended June 30, 2013 and 2012 was \$1,143 and \$984, respectively.

(b) Other

The Conservancy is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of the Conservancy's management, the ultimate disposition of these matters will not have a material adverse effect on the Conservancy's financial condition. As described in an agreement between the City of New York, Department of Parks and Recreation, and the Conservancy dated April 28, 2006 (the agreement), the City of New York has agreed to indemnify and hold harmless the Conservancy for all services performed and activities conducted by the Conservancy pursuant to the agreement.

(11) Contract Revenue

In April 2006, the Conservancy renewed its eight-year management contract with the City of New York and the Department of Parks and Recreation, retroactive to July 1, 2005. Commencing on July 1, 2005, in order to be entitled to payments from the Department of Parks and Recreation, the Conservancy must raise and expend annually a minimum of \$5,000 for maintenance and repairs, public programs, landscaping and rehabilitation, or repair of existing facilities, subject to certain exclusions. In exchange for meeting those requirements, the Department of Parks and Recreation will pay the Conservancy a minimum of \$1,000, which is required by contract to be expended for specific services. This minimum payment can be increased up to a maximum of \$2,000 by formula, based on the amount by which the Conservancy exceeds its \$5,000 threshold in any one year.

Under this contract, the Conservancy is also entitled to a payment equal to a portion of concession revenue earned in Central Park. The Conservancy receives an amount equal to 50% of concession revenue earned in excess of \$6,000, measured as of the prior fiscal year. Additional revenue received by the Conservancy for fiscal years 2013 and 2012 was \$3,814 and \$3,158, respectively. The contractual arrangement may only be terminated under specific conditions outlined in the agreement.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(Dollars in thousands)

The Conservancy recognizes revenue in connection with this contract as expenditures are made for specific services. In fiscal years 2013 and 2012, the Conservancy recognized as revenue and expended \$5,814 and \$5,158, respectively, related to the contract. At June 30, 2013 and 2012, the related receivable was \$3,876 and \$1,719, respectively.

In May 2013, the Conservancy renewed its management contract with the City of New York and the Department of Parks and Recreation, to provide services specified for operating, maintaining, repairing, restoring and providing programming in Central Park, and outside Central Park, for a ten year period beginning July 1, 2013 and expiring June 30, 2023, with two additional five year renewals available after the initial ten year term has expired. The only material change in the renewed contract is the omission of the \$6,000 threshold on concession revenue.

Project Revenue

In March 2007, the Conservancy entered into a contract for capital projects for the Campaign for Central Park with the City of New York and the Department of Parks and Recreation, retroactive to July 1, 2006. Payment is on a reimbursement basis for eligible expenses incurred by the Conservancy, with the funds made available at a rate of up to \$3,571 annually for seven years beginning in fiscal year 2007. However, the Conservancy has received notification from the City of New York that payments for fiscal years 2012 and 2013 will be available up to a maximum of \$2,286 and \$5,576, respectively.

The Conservancy recognizes revenue in connection with this contract as expenditures are made. In fiscal years 2013 and 2012, the Conservancy recognized \$2,206 and \$3,554, respectively, for project revenue under the campaign.

In May 2013, the Conservancy entered into a ten year contract for capital projects with the City of New York and the Department of Parks and Recreation for restoration projects throughout the park. Payment is on a reimbursement basis for eligible expenses incurred by the Conservancy, with the funds made available at a rate of up to \$6,000 per year beginning July 1, 2013 and expiring June 30, 2023.

(12) Subsequent Events

In connection with the preparation of the financial statements, the Conservancy evaluated subsequent events after the balance sheet date of June 30, 2013 through November 22, 2013, which was the date the financial statements were available to be issued, and concluded that no additional disclosures were necessary.

CENTRAL PARK CONSERVANCY, INC.

Schedule of Functional Expenses

Year ended June 30, 2013

(With comparative summarized totals for 2012)

(Dollars in thousands)

	Program services				Supporting services			Total expenses*	
	Planning, design, and construction	Horticulture, maintenance, and operations	Visitor services	Total	Fund- raising	Management and general	Total	2013	2012
Salaries	\$ 1,337	9,953	2,529	13,819	2,614	2,825	5,439	19,258	17,871
Payroll taxes and employee benefits	364	2,796	736	3,896	678	694	1,372	5,268	5,202
Total salaries and related expenses	1,701	12,749	3,265	17,715	3,292	3,519	6,811	24,526	23,073
Contracted services:									
Construction and design	4,504	203	—	4,707	—	—	—	4,707	4,671
Landscape	—	3,183	—	3,183	—	—	—	3,183	2,907
Consulting	203	792	639	1,634	507	614	1,121	2,755	1,466
Mailings	—	—	—	—	487	—	487	487	547
Other	—	780	32	812	249	121	370	1,182	847
Total contracted services	4,707	4,958	671	10,336	1,243	735	1,978	12,314	10,438
Grant awards	—	—	102	102	—	—	—	102	99
Materials, equipment, and supplies	1,175	1,438	360	2,973	76	26	102	3,075	1,933
Printing and publications	22	10	153	185	136	65	201	386	283
Conferences, conventions, and meetings	4	18	23	45	20	21	41	86	96
Postage, shipping, and messenger	3	4	4	11	177	13	190	201	284
Travel	5	10	9	24	5	10	15	39	23
Equipment maintenance and rentals	98	341	127	566	124	195	319	885	984
Insurance	51	170	43	264	43	74	117	381	333
Occupancy	179	97	205	481	653	255	908	1,389	1,196
Advertising	—	—	—	—	22	34	56	56	99
Miscellaneous	31	135	44	210	55	88	143	353	230
Bad debt	—	—	—	—	60	—	60	60	227
Contributed services	79	193	280	552	213	79	292	844	963
	1,647	2,416	1,350	5,413	1,584	860	2,444	7,857	6,750
Total expenses* before depreciation and amortization	8,055	20,123	5,286	33,464	6,119	5,114	11,233	44,697	40,261
Depreciation and amortization	216	227	58	501	99	96	195	696	543
Total expenses* – 2013	\$ 8,271	20,350	5,344	33,965	6,218	5,210	11,428	45,393	40,804
Total expenses* – 2012	\$ 7,470	18,022	4,518	30,010	5,974	4,820	10,794		40,804

* Exclusive of direct donor benefits and investment expenses.

See accompanying independent auditors' report.