



CENTRAL PARK CONSERVANCY, INC.

Financial Statements and Schedule

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154-0102

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, 2015 and 2014, 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, 2015 and 2014, 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 Matter

Our audits were conducted for the purpose of forming an opinion on the 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

November 19, 2015

CENTRAL PARK CONSERVANCY, INC.

Balance Sheets

June 30, 2015 and 2014

(Dollars in thousands)

Assets	2015	2014
Cash	\$ 5,607	8,421
Short-term investments (note 3)	38,161	35,821
Accounts receivable (note 11)	5,915	8,532
Prepaid expenses and other assets	1,074	1,080
Contributions receivable, net (note 4)	30,851	44,032
Investments held for endowment (note 3)	216,273	211,521
Other long-term investments (note 3)	65,577	65,078
Investments held under split-interest agreements	1,115	1,158
457(b) deferred compensation plan (note 9)	1,245	1,069
Fixed assets, net (note 5)	4,278	4,297
Total assets	<u>\$ 370,096</u>	<u>381,009</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 8,512	6,674
Liabilities under split-interest agreements	698	696
Other liabilities	666	659
457(b) deferred compensation plan liability (note 9)	1,245	1,069
Total liabilities	<u>11,121</u>	<u>9,098</u>
Net assets:		
Unrestricted:		
Available for operations	2,109	426
Board designated (notes 6 and 7)	86,000	81,794
Total unrestricted	<u>88,109</u>	<u>82,220</u>
Temporarily restricted (notes 6 and 7)	180,218	200,985
Permanently restricted (notes 6 and 7)	90,648	88,706
Total net assets	<u>358,975</u>	<u>371,911</u>
Total liabilities and net assets	<u>\$ 370,096</u>	<u>381,009</u>

See accompanying notes to financial statements.

CENTRAL PARK CONSERVANCY, INC.

Statement of Activities

Year ended June 30, 2015

(with comparative summarized totals for 2014)

(Dollars in thousands)

	Unrestricted			Temporarily restricted	Permanently restricted	Totals	
	Operations	Board designated	Total unrestricted			2015	2014
Revenue, gains (losses), and other support:							
Contributions (notes 3 and 4)	\$ 25,165	2,564	27,729	14,784	2,643	45,156	32,524
Revenue from the City of New York:							
Contract revenue (note 11)	9,101	—	9,101	—	—	9,101	8,264
Project revenue (note 11)	—	37	37	—	—	37	1,693
Special events revenue	5,618	—	5,618	—	—	5,618	5,320
Less expenses incurred for direct donor benefits	(1,194)	—	(1,194)	—	—	(1,194)	(1,060)
Special events revenue, net	4,424	—	4,424	—	—	4,424	4,260
Interest and dividends, net of investment expenses of \$2,179 in 2015	160	1,032	1,192	2,265	—	3,457	2,452
Net (depreciation) appreciation in fair value on investments	203	(816)	(613)	(11,448)	(925)	(12,986)	39,401
Change in value of split-interest agreements	—	(53)	(53)	—	—	(53)	(61)
Other (note 8)	1,470	—	1,470	—	—	1,470	2,438
Total revenue and gains	40,523	2,764	43,287	5,601	1,718	50,606	90,971
Net assets released from restrictions:							
Contributions, other revenue, and gains (losses)	28,395	(4,448)	23,947	(23,947)	—	—	—
Administrative cost recovery	4,015	(1,818)	2,197	(2,197)	—	—	—
Total net assets released from restrictions	32,410	(6,266)	26,144	(26,144)	—	—	—
Total revenue, gains (losses), and other support	72,933	(3,502)	69,431	(20,543)	1,718	50,606	90,971
Expenses:							
Program services:							
Planning, design, and construction	19,373	—	19,373	—	—	19,373	10,764
Horticulture, maintenance, and operations	22,099	—	22,099	—	—	22,099	21,067
Visitor experience	5,211	—	5,211	—	—	5,211	3,993
Helping other parks	3,991	—	3,991	—	—	3,991	2,607
Total program services	50,674	—	50,674	—	—	50,674	38,431
Supporting services:							
Fund-raising	7,278	—	7,278	—	—	7,278	6,752
Management and general	5,590	—	5,590	—	—	5,590	5,764
Total supporting services	12,868	—	12,868	—	—	12,868	12,516
Total expenses	63,542	—	63,542	—	—	63,542	50,947
Increase (decrease) in net assets before transfers	9,391	(3,502)	5,889	(20,543)	1,718	(12,936)	40,024
Transfers	(7,708)	7,708	—	(224)	224	—	—
Increase (decrease) in net assets	1,683	4,206	5,889	(20,767)	1,942	(12,936)	40,024
Net assets at beginning of year	426	81,794	82,220	200,985	88,706	371,911	331,887
Net assets at end of year	\$ 2,109	86,000	88,109	180,218	90,648	358,975	371,911

See accompanying notes to financial statements.

CENTRAL PARK CONSERVANCY, INC.

Statement of Activities

Year ended June 30, 2014

(Dollars in thousands)

	Operations	Unrestricted Board designated	Total unrestricted	Temporarily restricted	Permanently restricted	Total 2014
Revenues, gains (losses), and other support:						
Contributions (notes 3 and 4)	\$ 12,338	1,951	14,289	16,267	1,968	32,524
Revenue from the City of New York:						
Contract revenue (note 11)	8,264	—	8,264	—	—	8,264
Project revenue (note 11)	—	1,693	1,693	—	—	1,693
Special events revenue	5,320	—	5,320	—	—	5,320
Less expenses incurred for direct donor benefits	(1,060)	—	(1,060)	—	—	(1,060)
Special events revenue, net	4,260	—	4,260	—	—	4,260
Interest and dividends, net of investment expenses of \$2,270	48	713	761	1,691	—	2,452
Net appreciation in fair value on investments	277	7,158	7,435	30,487	1,479	39,401
Change in value of split-interest agreements	—	(61)	(61)	—	—	(61)
Other (note 8)	2,438	—	2,438	—	—	2,438
Total revenues and gains	27,625	11,454	39,079	48,445	3,447	90,971
Net assets released from restrictions:						
Contributions, other revenues, and gains (losses)	20,012	(5,603)	14,409	(14,409)	—	—
Administrative cost recovery	2,018	(746)	1,272	(1,272)	—	—
Total net assets released from restrictions	22,030	(6,349)	15,681	(15,681)	—	—
Total revenues, gains (losses), and other support	49,655	5,105	54,760	32,764	3,447	90,971
Expenses:						
Program services:						
Planning, design, and construction	10,764	—	10,764	—	—	10,764
Horticulture, maintenance, and operations	21,067	—	21,067	—	—	21,067
Visitor experience	3,993	—	3,993	—	—	3,993
Helping other parks	2,607	—	2,607	—	—	2,607
Total program services	38,431	—	38,431	—	—	38,431
Supporting services:						
Fund-raising	6,752	—	6,752	—	—	6,752
Management and general	5,764	—	5,764	—	—	5,764
Total supporting services	12,516	—	12,516	—	—	12,516
Total expenses	50,947	—	50,947	—	—	50,947
Increase (decrease) in net assets before transfers	(1,292)	5,105	3,813	32,764	3,447	40,024
Transfers	(400)	400	—	—	—	—
Increase (decrease) in net assets	(1,692)	5,505	3,813	32,764	3,447	40,024
Net assets at beginning of year	2,118	76,289	78,407	168,221	85,259	331,887
Net assets at end of year	\$ 426	81,794	82,220	200,985	88,706	371,911

See accompanying notes to financial statements.

CENTRAL PARK CONSERVANCY, INC.

Statements of Cash Flows

Years ended June 30, 2015 and 2014

(Dollars in thousands)

	2015	2014
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (12,936)	40,024
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,071	908
Net depreciation (appreciation) in fair value on investments	12,986	(39,401)
Change in value of split-interest agreements	53	61
Permanently restricted contributions and earnings classified as financing activities	(1,718)	(3,447)
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	2,617	(448)
Decrease (increase) in prepaid expenses and other assets	6	(190)
Decrease in contributions receivable, net of amounts classified as financing activities	13,074	18,084
Increase in accounts payable and accrued expenses	1,838	1,452
Increase in other liabilities	7	27
Net cash provided by operating activities	16,998	17,070
Cash flows from investing activities:		
Proceeds from sale of investments	133,281	111,622
Purchases of investments	(153,868)	(128,780)
Acquisition of fixed assets	(1,052)	(1,241)
Net cash used in investing activities	(21,639)	(18,399)
Cash flows from financing activities:		
Permanently restricted contributions and earnings	1,718	3,447
Decrease in permanently restricted contributions receivable	107	269
Net change in liabilities under split-interest agreements	2	(6)
Net cash provided by financing activities	1,827	3,710
Net (decrease) increase in cash	(2,814)	2,381
Cash at beginning of year	8,421	6,040
Cash at end of year	\$ 5,607	8,421

See accompanying notes to financial statements.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

(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. Additionally, the Conservancy provides training and maintenance support in other NYC Parks. 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, 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, 2015 and 2014

(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 to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Conservancy discloses fair value measurements by level 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.

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

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

(Dollars in thousands)

In 2015, the Conservancy early adopted the provisions of ASU No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share practical expedient and removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The Conservancy applied the provisions of the update retrospectively to 2014.

(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, 2015 and 2014.

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

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

(Dollars in thousands)

(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, 2015 and 2014

(Dollars in thousands)

(3) Investments

All investments are considered level 1 in the fair value hierarchy, except for investments reported at net asset value (or its equivalent).

A summary of the fair value of investments at June 30, 2015 and 2014 is as follows:

	2015	2014
Short-term investments:		
U.S. Treasury and money market funds	\$ 38,161	35,821
Investments held for endowment:		
U.S. Treasury money market funds	\$ 25,299	41,118
Domestic equities	38,892	29,820
Foreign equities	54,017	79,311
	118,208	150,249
Investments reported at NAV (or its equivalent):		
Real estate	21,531	15,660
Absolute return	38,650	16,802
Domestic equities	23,196	15,512
Foreign equities	14,688	13,298
Total investments reported at NAV (or its equivalent)	98,065	61,272
Total investments held for endowment	\$ 216,273	211,521
Other long term investments:		
U.S. Treasury money market funds	\$ 260	67
U.S. Treasury bonds	20,010	9,865
	20,270	9,932
Investments reported at NAV (or its equivalent):		
Absolute return	23,278	24,921
Domestic equities	18,791	25,815
Other	3,238	4,410
Total investments reported at NAV (or its equivalent)	45,307	55,146
Total other long term investments	\$ 65,577	65,078

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

(Dollars in thousands)

Under the terms of the limited partnership agreements, the Conservancy is obligated to periodically advance additional funding for its partnership investments. The unfunded commitments have not been recorded as a liability in the accompanying balance sheets. Such commitments generally have fixed expiration dates or other termination clauses. The Conservancy maintains sufficient liquidity in its investment portfolio to cover such calls. As of June 30, 2015, the Conservancy committed approximately 45.3% of the total investment balance in alternative investments.

The following table presents the strategies and related redemption information and unfunded commitments to the Conservancy's investments held for endowment measured at net asset value:

			2015	
	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Investments held for endowment:				
Real estate fund	\$ 21,531	20,839	None	Not applicable
Absolute return	38,650	—	No redemptions	Not applicable
Domestic equities	23,196	26,471	Quarterly	60 days
Foreign equities	14,688	—	Weekly, none	7 days, not applicable
	<u>\$ 98,065</u>	<u>47,310</u>		

Other Long-Term Investments

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

Notwithstanding any provisions of any of the invested Funds, or any rights set forth in any Fund's Offering Memorandum or Articles of Association to the contrary, the Conservancy 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.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

(Dollars in thousands)

(4) Contributions Receivable

Contributions receivable at June 30, 2015 and 2014 are due to be collected as follows:

	2015	2014
Less than one year	\$ 6,003	6,008
One to five years	23,628	37,036
Five years and thereafter	2,123	2,362
	31,754	45,406
Allowance	(288)	(288)
Discount to present value (at rates ranging from 0.72% to 5.10%)	(615)	(1,086)
Contributions receivable, net	\$ 30,851	44,032

Included in contributions receivable at June 30, 2015 is a receivable of \$10 million from a board member, which is payable over the next two years. Three donors comprised approximately 27% and 28% of total contribution revenue for the years ended June 30, 2015 and 2014, respectively.

(5) Fixed Assets

A summary of fixed assets at June 30, 2015 and 2014 is as follows:

	2015	2014	Estimated useful lives
Furniture and fixtures	\$ 1,249	1,219	5 to 10 years
Office and field equipment	7,932	6,944	3 to 5 years
Leasehold improvements	1,861	1,827	10 years
	11,042	9,990	
Less accumulated depreciation and amortization	(6,764)	(5,693)	
	\$ 4,278	4,297	

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

(Dollars in thousands)

(6) Net Assets

(a) *Unrestricted – Board-Designated*

Unrestricted – board-designated net assets are available for the following purposes at June 30, 2015 and 2014:

	2015	2014
Planning, design, and construction	\$ 33,374	33,270
Horticulture, maintenance, and operations	9,912	7,791
Visitor experience	121	127
General purposes	42,593	40,606
	\$ 86,000	81,794

(b) *Temporarily Restricted Net Assets*

Temporarily restricted net assets are available for the following purposes at June 30, 2015 and 2014:

	2015	2014
Planning, design, and construction	\$ 123,151	138,858
Horticulture, maintenance, and operations	47,385	51,576
Visitor experience	2,922	3,178
Helping other parks	2,502	2,536
General purposes	4,258	4,837
	\$ 180,218	200,985

(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, 2015 and 2014:

	2015	2014
Horticulture, maintenance, and operations	\$ 81,067	78,818
Visitor experience	5,527	5,720
General purposes	4,054	4,168
	\$ 90,648	88,706

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

(Dollars in thousands)

(7) Endowment Funds

The Conservancy's endowment consists of 84 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 the five previous years. In both fiscal years 2015 and 2014, the Conservancy utilized a rate of 5% of the total investment pool. In fiscal years 2015 and 2014, the related amounts that were used to support operations were \$6,908 and \$6,295, respectively.

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

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

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

(Dollars in thousands)

such deficiencies are reported as a net underwater adjustment in the following table of endowment activity for the years ended June 30, 2015 and 2014. There were no such deficiencies at June 30, 2015 and 2014.

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:

	Year ended June 30, 2015			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, June 30, 2014	\$ 56,572	54,677	88,706	199,955
Investment income	951	2,265	—	3,216
Net depreciation (realized and unrealized)	(832)	(1,608)	(925)	(3,365)
Return on investment, net	119	657	(925)	(149)
Contributions	39	—	2,643	2,682
Change in designation	2,408	—	224	2,632
Appropriation of endowment assets for expenditure	(1,352)	(5,556)	—	(6,908)
Endowment net assets, June 30, 2015	<u>\$ 57,786</u>	<u>49,778</u>	<u>90,648</u>	<u>198,212</u>
Composition of endowment as of June 30, 2015:				
Donor-restricted endowment funds	\$ —	49,778	90,648	140,426
Board-designated endowment funds	<u>57,786</u>	<u>—</u>	<u>—</u>	<u>57,786</u>
	<u>\$ 57,786</u>	<u>49,778</u>	<u>90,648</u>	<u>198,212</u>

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June 30, 2015 and 2014

(Dollars in thousands)

	Year ended June 30, 2014			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, June 30, 2013	\$ 49,740	41,167	85,259	176,166
Investment income	702	1,691	—	2,393
Net appreciation (realized and unrealized)	<u>7,084</u>	<u>17,126</u>	<u>1,479</u>	<u>25,689</u>
Return on investment, net	<u>7,786</u>	<u>18,817</u>	<u>1,479</u>	<u>28,082</u>
Contributions	34	—	1,968	2,002
Appropriation of endowment assets for expenditure	<u>(988)</u>	<u>(5,307)</u>	<u>—</u>	<u>(6,295)</u>
Endowment net assets, June 30, 2014	<u>\$ 56,572</u>	<u>54,677</u>	<u>88,706</u>	<u>199,955</u>
Composition of endowment as of June 30, 2014:				
Donor-restricted endowment funds	\$ —	54,677	88,706	143,383
Board-designated endowment funds	<u>56,572</u>	<u>—</u>	<u>—</u>	<u>56,572</u>
	<u>\$ 56,572</u>	<u>54,677</u>	<u>88,706</u>	<u>199,955</u>

(8) Other Revenue, Contributed Services, and Facilities

A summary of other revenue at June 30, 2015 and 2014 is as follows:

	2015	2014
Merchandise sales, program revenue, and fees	\$ 545	1,735
Contributed services and facilities	<u>925</u>	<u>703</u>
	<u>\$ 1,470</u>	<u>2,438</u>

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

(Dollars in thousands)

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

	<u>2015</u>	<u>2014</u>
Planning, design, and construction	\$ 30	49
Horticulture, maintenance, and operations	112	196
Visitor experience	507	180
Helping other parks	57	67
Fund-raising	189	162
Management and general	30	49
	<u>\$ 925</u>	<u>703</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, 2015 and 2014, the Conservancy contributed \$1,388 and \$1,165, 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, 2015 and 2014, the Conservancy contributed \$144 and \$120, respectively, to the Plan.

(10) Commitments and Contingencies

(a) Lease

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

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

(Dollars in thousands)

Future minimum lease payments are as follows:

	<u>Amount</u>
Year ending June 30:	
2016	\$ 1,243
2017	1,270
2018	1,296
2019	1,311
2020	1,360
Thereafter	<u>3,808</u>
	<u>\$ 10,288</u>

Rent expense for the years ended June 30, 2015 and 2014 was \$1,295 and \$1,210, respectively.

(b) Other

The Conservancy is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of the Conservancy's management, the ultimate disposition of these matters will not have a material adverse effect on the Conservancy's financial condition. As described in an agreement between the City of New York, Department of Parks and Recreation, and the Conservancy dated April 28, 2006 and renewed May 13, 2013 (the agreement), the City of New York has agreed to indemnify and hold harmless the Conservancy for all services performed and activities conducted by the Conservancy pursuant to the agreement.

(11) Contract Revenue

In 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.

CENTRAL PARK CONSERVANCY, INC.

Notes to Financial Statements

June 30, 2015 and 2014

(Dollars in thousands)

Under this contract, the Conservancy was entitled to a payment equal to a portion of concession revenue earned in Central Park. The Conservancy received an amount equal to 50% of concession revenue earned in excess of \$6,000, measured as of the previous fiscal year.

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. Additional revenue related to concessions, above the base fee, received by the Conservancy for fiscal years 2015 and 2014 was \$7,101 and \$6,264, respectively. The contractual arrangement may only be terminated under specific conditions outlined in the agreement.

The Conservancy recognizes revenue in connection with this contract as expenditures are made for specific services. In fiscal years 2015 and 2014, the Conservancy recognized as revenue and expended \$9,101 and \$8,264, respectively, related to the contract. At June 30, 2015 and 2014, the related receivable was \$4,550 and \$4,132, respectively.

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. The Conservancy recognizes revenue in connection with this contract as expenditures are made. In fiscal years 2015 and 2014, the Conservancy recognized \$37 and \$1,693, 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, 2014 and expiring June 30, 2023. No amounts were billed as of June 30, 2015.

(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, 2015 through November 19, 2015, 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, 2015

(with comparative summarized totals for 2014)

(Dollars in thousands)

	Program services					Supporting services			Total expenses*	
	Planning, design, and construction	Horticulture, maintenance, and operations	Visitor experience	Helping other parks	Total	Fund- raising	Management and general	Total	2015	2014
Salaries	\$ 2,173	11,052	2,332	1,926	17,483	3,026	3,300	6,326	23,809	21,392
Payroll taxes and employee benefits	638	3,285	846	642	5,411	992	892	1,884	7,295	6,143
Total salaries and related expenses	2,811	14,337	3,178	2,568	22,894	4,018	4,192	8,210	31,104	27,535
Contracted services:										
Construction and design	13,373	641	—	—	14,014	—	—	—	14,014	6,260
Landscape	—	1,866	—	51	1,917	2	1	3	1,920	1,773
Facilities maintenance	3	1,503	—	31	1,537	1	—	1	1,538	1,699
Consulting	656	352	435	436	1,879	610	562	1,172	3,051	2,747
Mailings	—	—	—	—	—	428	3	431	431	534
Other	25	53	30	22	130	493	18	511	641	586
Total contracted services	14,057	4,415	465	540	19,477	1,534	584	2,118	21,595	13,599
Grant awards	3	—	—	185	188	—	—	—	188	142
Materials, equipment, and supplies	1,752	1,571	471	55	3,849	95	16	111	3,960	3,734
Printing and publications	33	1	148	36	218	128	59	187	405	372
Conferences, conventions, and meetings	22	67	18	27	134	29	22	51	185	121
Postage, shipping, and messenger	64	65	50	11	190	234	27	261	451	330
Travel	6	2	—	6	14	6	9	15	29	45
Equipment maintenance and rentals	117	496	88	136	837	213	100	313	1,150	952
Insurance	45	94	38	42	219	121	38	159	378	418
Occupancy	195	406	162	179	942	521	162	683	1,625	1,548
Advertising	—	—	—	3	3	26	5	31	34	83
Miscellaneous	31	171	52	39	293	82	42	124	417	316
Bad debt	—	—	—	—	—	—	25	25	25	141
Contributed services	30	112	507	57	706	189	30	219	925	703
	2,298	2,985	1,534	776	7,593	1,644	535	2,179	9,772	8,905
Total expenses before depreciation and amortization	19,166	21,737	5,177	3,884	49,964	7,196	5,311	12,507	62,471	50,039
Depreciation and amortization	207	362	34	107	710	82	279	361	1,071	908
Total expenses* – 2015	\$ 19,373	22,099	5,211	3,991	50,674	7,278	5,590	12,868	63,542	50,947
Total expenses* – 2014	\$ 10,764	21,067	3,993	2,607	38,431	6,752	5,764	12,516		50,947

* Exclusive of direct donor benefits and investment expenses.

See accompanying independent auditors' report.