

MADISON SQUARE PARK CONSERVANCY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020



LUTZ AND GARR

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Madison Square Park Conservancy, Inc.

Opinion

We have audited the accompanying financial statements of Madison Square Park Conservancy, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Madison Square Park Conservancy, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Madison Square Park Conservancy, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Madison Square Park Conservancy, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Madison Square Park Conservancy, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Madison Square Park Conservancy, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Lutz + Carr, LLP

MADISON SQUARE PARK CONSERVANCY, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents (Notes 1b and 10)		
Without donor restrictions	\$ 1,759,062	\$ 1,156,545
With donor restrictions (Notes 1b and 10)	1,239,545	1,186,510
Certificates of deposit (Notes 1c and 1d)	315,141	314,832
Contributions receivable (Notes 1e and 5)		
Without donor restrictions	264,624	144,985
With donor restrictions	1,242,683	1,919,735
Accounts receivable and other assets	31,656	33,531
Prepaid expenses	338,883	166,952
Investments (Notes 1c, 1f and 4)		
Without donor restrictions	84,960	26,107
With donor restrictions (Note 8)	12,240,155	11,217,100
Property and equipment, at cost, net of accumulated depreciation (Notes 1g and 6)	<u>241,859</u>	<u>280,215</u>
Total Assets	<u><u>\$17,758,568</u></u>	<u><u>\$16,446,512</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 471,335	\$ 214,665
Due to The City of New York (Note 11a)	180,592	151,662
Deferred revenue (Note 1h)	<u>73,229</u>	<u>78,043</u>
Total Liabilities	<u>725,156</u>	<u>444,370</u>
Commitments and Contingencies (Notes 7, 11, 12, 13 and 14)		
Net Assets (Note 3)		
Without donor restrictions	2,311,029	2,007,789
With donor restrictions	<u>14,722,383</u>	<u>13,994,353</u>
Total Net Assets	<u>17,033,412</u>	<u>16,002,142</u>
Total Liabilities and Net Assets	<u><u>\$17,758,568</u></u>	<u><u>\$16,446,512</u></u>

See notes to financial statements.

MADISON SQUARE PARK CONSERVANCY, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Changes in Net Assets						
Revenue and Other Support						
Contributions	\$ 2,451,659	\$ 869,742	\$ 3,321,401	\$ 2,705,578	\$ 841,205	\$ 3,546,783
Loan forgiveness - Paycheck Protection Program (Note 9)	471,902	-	471,902	471,903	-	471,903
Fundraising benefits	512,535	-	512,535	-	-	-
Less: Direct benefit expense	(88,924)	-	(88,924)	-	-	-
Park usage event fees	390,000	-	390,000	25,000	-	25,000
Other events	12,500	-	12,500	-	-	-
Artwork loan fees and commissions	18,750	-	18,750	45,900	-	45,900
Net sublicensing and concession revenue (Notes 11b and 11c)	862,949	-	862,949	846,029	-	846,029
Net investment income (Note 4)	20,844	790,554	811,398	24,483	997,970	1,022,453
Other income	56,098	-	56,098	28,557	-	28,557
Donated services and facilities (Note 12)	22,612	-	22,612	46,216	-	46,216
	<u>4,730,925</u>	<u>1,660,296</u>	<u>6,391,221</u>	<u>4,193,666</u>	<u>1,839,175</u>	<u>6,032,841</u>
Net assets released from restrictions						
Satisfaction of program and time restrictions	932,266	(932,266)	-	495,500	(495,500)	-
Endowment appropriations for use in operations	-	-	-	21,832	(21,832)	-
	<u>5,663,191</u>	<u>728,030</u>	<u>6,391,221</u>	<u>4,710,998</u>	<u>1,321,843</u>	<u>6,032,841</u>
Total Revenue and Other Support						
Expenses (Note 11d)						
Program Services	<u>3,956,706</u>	<u>-</u>	<u>3,956,706</u>	<u>3,280,895</u>	<u>-</u>	<u>3,280,895</u>
Supporting Services						
Management and general	875,842	-	875,842	703,231	-	703,231
Fundraising	523,019	-	523,019	513,854	-	513,854
Total Supporting Services	<u>1,398,861</u>	<u>-</u>	<u>1,398,861</u>	<u>1,217,085</u>	<u>-</u>	<u>1,217,085</u>
Total Expenses	<u>5,355,567</u>	<u>-</u>	<u>5,355,567</u>	<u>4,497,980</u>	<u>-</u>	<u>4,497,980</u>
Increase in Net Assets Before Non-Operating and Capital Activity (Note 3a)	307,624	728,030	1,035,654	213,018	1,321,843	1,534,861
Non-Operating and Capital Activity						
Endowment appropriations for park related improvements	-	-	-	4,300	(4,300)	-
Park related improvements	(4,384)	-	(4,384)	(4,300)	-	(4,300)
Increase in net assets	303,240	728,030	1,031,270	213,018	1,317,543	1,530,561
Net assets, beginning of year	<u>2,007,789</u>	<u>13,994,353</u>	<u>16,002,142</u>	<u>1,794,771</u>	<u>12,676,810</u>	<u>14,471,581</u>
Net Assets, End of Year	<u>\$ 2,311,029</u>	<u>\$14,722,383</u>	<u>\$17,033,412</u>	<u>\$ 2,007,789</u>	<u>\$13,994,353</u>	<u>\$16,002,142</u>

See notes to financial statements.

MADISON SQUARE PARK CONSERVANCY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021 WITH COMPARATIVE TOTALS FOR 2020

	Program Services						Supporting Services			2021	2020	
	Park Maintenance	Park - Capital Improvements	Kids, Horticulture, and Other Programming	Venice Biennale	Art	Sustainability	Total	Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries	\$ 803,913	\$ 82,453	\$ -	\$ -	\$ 412,263	\$ 144,292	\$1,442,921	\$ 288,585	\$ 329,811	\$ 618,396	\$2,061,317	\$2,098,547
Payroll taxes	71,782	4,290	-	-	32,295	13,021	121,388	28,200	30,211	58,411	179,799	188,015
Employee benefits	131,776	18,229	-	-	46,772	18,829	215,606	143,766	51,040	194,806	410,412	463,845
Consultants and outside service fees	69,414	542,500	-	-	-	-	611,914	-	-	-	611,914	122,735
Park grounds improvements	4,384	-	-	-	-	-	4,384	-	-	-	4,384	4,300
Depreciation	32,264	-	-	-	16,545	5,791	54,600	14,891	13,236	28,127	82,727	79,814
Equipment purchases and leases	14,821	-	-	-	-	-	14,821	3,506	-	3,506	18,327	12,954
Event costs - other	-	-	-	-	-	-	-	-	42,412	42,412	42,412	23,550
Insurance	6,349	-	-	-	11,379	-	17,728	24,118	-	24,118	41,846	41,909
Credit card fees and bank charges	322	151	-	-	-	-	473	33,095	50	33,145	33,618	8,575
Security	351,618	-	-	-	2,150	-	353,768	-	-	-	353,768	291,268
Exhibition installation and fabrication	-	-	-	-	323,605	-	323,605	-	-	-	323,605	277,542
Performers and technical fees	2,725	-	-	-	20,000	-	22,725	-	-	-	22,725	18,667
Landscaping	148,224	17,608	-	-	16,728	-	182,560	-	-	-	182,560	111,735
Printing and design	51,564	98,069	-	-	33,120	2,561	185,314	3,201	15,093	18,294	203,608	188,408
Professional fees	1,385	9,490	-	-	95,500	-	106,375	89,814	400	90,214	196,589	165,614
Repairs and maintenance	9,232	-	-	-	-	-	9,232	26,114	9,562	35,676	44,908	37,909
Supplies	71,192	6,780	-	-	13,226	359	91,557	9,836	1,152	10,988	102,545	71,169
Telephone and communications	13,578	-	-	-	-	-	13,578	44,679	1,415	46,094	59,672	38,926
Travel, lodging and hospitality	24,006	-	-	-	78,263	283	102,552	2,313	20,061	22,374	124,926	46,535
Donated office space	-	-	-	-	-	-	-	150,000	-	150,000	150,000	150,000
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	24,410
Other expenses	40,159	1,450	-	-	44,192	188	85,989	13,724	8,576	22,300	108,289	35,853
Total Expenses	1,848,708	781,020	-	-	1,146,038	185,324	3,961,090	875,842	523,019	1,398,861	5,359,951	4,502,280
Less: Park related improvements	(4,384)	-	-	-	-	-	(4,384)	-	-	-	(4,384)	(4,300)
Total Expenses Before Non-Operating and Capital Activity, 2021	\$ 1,844,324	\$ 781,020	\$ -	\$ -	\$1,146,038	\$ 185,324	\$3,956,706	\$ 875,842	\$ 523,019	\$1,398,861	\$5,355,567	
Total Expenses Before Non-Operating and Capital Activity, 2020	\$ 1,608,506	\$ 180,215	\$ 332,572	\$12,252	\$ 893,529	\$ 253,821	\$3,280,895	\$ 703,231	\$ 513,854	\$1,217,085		\$4,497,980

See notes to financial statements.

MADISON SQUARE PARK CONSERVANCY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program Services						Supporting Services			Total Expenses	
	Park Maintenance	Park - Capital Improvements	Kids, Horticulture, and Other Programming	Venice Biennale	Art	Sustainability	Total	Management and General	Fundraising		Total
Salaries	\$ 718,605	\$ 66,755	\$ 216,497	\$ -	\$351,894	\$ 187,961	\$1,541,712	\$ 221,875	\$ 334,960	\$ 556,835	\$2,098,547
Payroll taxes	61,461	10,330	17,220	-	30,391	16,617	136,019	20,910	31,086	51,996	188,015
Employee benefits	158,212	29,548	48,078	-	59,242	26,510	321,590	92,132	50,123	142,255	463,845
Consultants and outside service fees	66,705	9,000	7,385	-	37,889	-	120,979	1,756	-	1,756	122,735
Park grounds improvements	-	4,300	-	-	-	-	4,300	-	-	-	4,300
Depreciation	27,743	-	8,588	-	13,951	7,455	57,737	8,795	13,282	22,077	79,814
Equipment purchases and leases	9,942	-	-	-	-	-	9,942	3,012	-	3,012	12,954
Event costs - other	-	-	-	-	-	-	-	-	23,550	23,550	23,550
Insurance	4,419	-	-	2,252	9,197	-	15,868	26,041	-	26,041	41,909
Credit card fees and bank charges	-	-	-	-	-	-	-	8,575	-	8,575	8,575
Security	290,368	-	-	-	900	-	291,268	-	-	-	291,268
Exhibition installation and fabrication	-	-	-	-	246,442	4,800	251,242	-	26,300	26,300	277,542
Performers and technical fees	-	-	18,167	-	500	-	18,667	-	-	-	18,667
Landscaping	98,140	195	-	-	13,400	-	111,735	-	-	-	111,735
Printing and design	62,749	55,640	4,187	-	44,212	4,256	171,044	3,258	14,106	17,364	188,408
Professional fees	8,450	7,550	2,500	10,000	56,756	-	85,256	79,858	500	80,358	165,614
Repairs and maintenance	6,142	1,197	-	-	-	-	7,339	24,511	6,059	30,570	37,909
Supplies	49,373	-	4,540	-	6,669	142	60,724	9,706	739	10,445	71,169
Telephone and communications	11,838	-	-	-	36	4,300	16,174	21,339	1,413	22,752	38,926
Travel, lodging and hospitality	11,341	-	2,257	-	18,750	1,693	34,041	3,020	9,474	12,494	46,535
Donated office space	-	-	-	-	-	-	-	150,000	-	150,000	150,000
Bad debt expense	-	-	-	-	-	-	-	24,410	-	24,410	24,410
Other expenses	23,018	-	3,153	-	3,300	87	29,558	4,033	2,262	6,295	35,853
Total Expenses	1,608,506	184,515	332,572	12,252	893,529	253,821	3,285,195	703,231	513,854	1,217,085	4,502,280
Less: Park related improvements	-	(4,300)	-	-	-	-	(4,300)	-	-	-	(4,300)
Total Expenses Before Non-Operating and Capital Activity	<u>\$ 1,608,506</u>	<u>\$ 180,215</u>	<u>\$ 332,572</u>	<u>\$12,252</u>	<u>\$893,529</u>	<u>\$ 253,821</u>	<u>\$3,280,895</u>	<u>\$ 703,231</u>	<u>\$ 513,854</u>	<u>\$1,217,085</u>	<u>\$4,497,980</u>

See notes to financial statements.

MADISON SQUARE PARK CONSERVANCY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Increase in net assets	\$1,031,270	\$1,530,561
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	82,727	79,814
Bad debt expense	-	24,410
Unrealized (gain) loss on investments	(457,085)	221,481
Realized gain on investments	(64,271)	(908,027)
(Increase) decrease in:		
Contributions receivable	557,413	133,324
Accounts receivable and other assets	1,875	11,461
Prepaid expenses	(171,931)	37,464
Increase (decrease) in:		
Accounts payable and accrued expenses	256,670	(290,580)
Due to The City of New York	28,930	(42,596)
Deferred revenue	(4,814)	(35,964)
Net Cash Provided By Operating Activities	<u>1,260,784</u>	<u>761,348</u>
Cash Flows From Investing Activities		
Investment in certificate of deposit	(309)	(2,789)
Purchase of investments	(922,920)	(3,903,985)
Proceeds from sale of investments	362,368	3,763,344
Purchase of property and equipment	(44,371)	(73,297)
Net Cash Used By Investing Activities	<u>(605,232)</u>	<u>(216,727)</u>
Net increase in cash and cash equivalents	655,552	544,621
Cash and cash equivalents, beginning of year	<u>2,343,055</u>	<u>1,798,434</u>
Cash and Cash Equivalents, End of Year	<u><u>\$2,998,607</u></u>	<u><u>\$2,343,055</u></u>

See notes to financial statements.

MADISON SQUARE PARK CONSERVANCY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2021 AND 2020****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

Madison Square Park Conservancy, Inc. (the "Organization"), a not-for-profit corporation, was incorporated in the State of New York on November 12, 2002.

Madison Square Park Conservancy's mission is to protect, nurture and enhance Madison Square Park, a dynamic seven-acre public green space, creating an environment that fosters moments of inspiration. As stewards, we strive to engage the community through our beautiful gardens, inviting amenities, and world-class programming. We believe that in an urban setting everyone deserves access to a park that allows for recreation, respite, and reflection.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents, except for those managed by the Organization's investment managers as part of their long-term investment strategies.

c - Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-based measurement. Generally accepted accounting principles establish a framework for measuring fair value which maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those the market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset developed based on the best information available in the circumstances. Fair value measurements are categorized into three levels as follows:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization 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 input that is significant to the fair value measurement.

MADISON SQUARE PARK CONSERVANCY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2021 AND 2020****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****d - Certificates of Deposit**

Certificates of deposit are reported at fair value in the statement of financial position. The value of certificates of deposit are based on quoted market prices in active markets and are, therefore, classified within Level 1 of the fair value hierarchy.

e - Contributions

Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Membership revenue is recognized as contribution revenue as it represents general operating support of the Organization.

Conditional promises to give, that have a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. The Organization receives cost-reimbursement government grants which are conditioned upon incurring allowable qualifying expenses. Amounts are received as revenue when the Organization has incurred expenditures in compliance with specific grant provisions.

The Organization uses the allowance method, when necessary, to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

f - Investments

The Organization reflects investments at fair value in the statement of financial position. Interest, dividends, and realized and unrealized gains and losses are reflected in the statement of activities as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Gains and other investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in net assets without donor restrictions if the restrictions are satisfied or expire in the fiscal year in which the gains and other investment income are recognized. All other donor restricted gains and other investment income are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

g - Property and Equipment

Property and equipment acquired are recorded at cost and are depreciated using the straight-line method over the estimated useful life of the related asset.

MADISON SQUARE PARK CONSERVANCY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2021 AND 2020****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****h - Revenue Recognition**

The Organization has revenue streams that are accounted for as exchange transactions, including park usage and other event fees, artwork loan fees and commissions, and concession sublicensing revenue. The Organization recognizes revenue at the point or over the period during which the related performance obligations are satisfied. All of the Organization's revenue from contracts with customers is for a distinct performance obligation satisfied at a point in time and does not consist of multiple transactions.

i - Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Trustees.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

j - Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

k - Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly to programs where applicable or allocated on a reasonable and consistent basis. A substantial portion of the Organization's expenses are directly related to program activities. The expenses that are allocated include depreciation, security, general office expenses, donated office space, salaries, payroll taxes and employee benefits which are allocated based on employee time and effort.

MADISON SQUARE PARK CONSERVANCY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2021 AND 2020****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****l - Tax Status**

Madison Square Park Conservancy, Inc. is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

m - Prior Year Information

For comparability, certain 2020 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2021.

n - Subsequent Events

The Organization has evaluated subsequent events through July 13, 2022, the date that the financial statements are considered available to be issued.

Note 2 - Information Regarding Liquidity and Availability

The Organization operates with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. A substantial portion of annual revenue is comprised of contribution revenue raised during the current year, and revenue from other sources earned during the year. The Organization considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to general and administrative and fundraising activities undertaken to support those services.

The Organization regularly monitors liquidity to meet its operating needs and other commitments and obligations, while seeking to maximize the investment of its available funds. Management prepares regular cash flow projections to determine liquidity needs, and has a policy to maintain liquid financial assets on an ongoing basis sufficient to cover ninety days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds, and other short-term investments.

MADISON SQUARE PARK CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 2 - Information Regarding Liquidity and Availability (continued)

The Organization's financial assets as of December 31, and those available to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2021</u>	<u>2020</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 2,998,607	\$ 2,343,055
Certificate of deposit	315,141	314,832
Contributions receivable	1,507,307	2,064,720
Accounts receivable and other assets	31,656	33,531
Investments	<u>12,325,115</u>	<u>11,243,207</u>
Total Financial Assets	17,177,826	15,999,345
Less: Amounts not Available to be Used within One Year:		
Net assets with donor restrictions	(14,722,383)	(13,994,353)
Less: Net assets with restrictions to be met within one year	1,519,502	1,585,992
Less: Endowment appropriations for use in operations within one year	<u>450,000</u>	<u>267,000</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 4,424,945</u>	<u>\$ 3,857,984</u>

Note 3 - Net Assets

a - Net Assets Without Donor Restrictions

Board Designated Operating Reserve

The Organization maintains a significant portion of its net assets without donor restrictions as a board designated reserve for operating expenses. Pursuant to the policy adopted by the Board of Trustees, the reserve balance maintained is not to be less than three months of annual operating expenses. As of December 31, 2021, the required reserve was approximately \$1 million, based on operating expenses in the Organization's 2021 budget of approximately \$4.1 million. As of December 31, 2020, the required reserve was approximately \$1.2 million, based on operating expenses in the Organization's 2020 budget of approximately \$4.9 million. Cash without donor restrictions and certificates of deposit were in excess of the required reserve balance as of December 31, 2021 and 2020.

COVID Relief Reserve Fund

The Board of Trustees approved the designation of the \$213,018 operating surplus for the year ended December 31, 2020 to create a COVID relief reserve fund. In 2021, the Board approved the designation of the \$303,240 operating surplus for year ended December 31, 2021 to the fund. The fund balance of \$516,258 as of December 31, 2021 will be used for future operating purposes.

MADISON SQUARE PARK CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 3 - Net Assets (continued)

b - Net Assets With Donor Restrictions

Net assets with donor restrictions as of December 31 are restricted for future programs and periods as follows:

	2021	2020
Operating - Subject to expenditure for specified purpose:		
Music and art programming	\$ 409,600	\$ 341,750
Capital Campaign	<u>2,041,290</u>	<u>2,050,613</u>
	<u>2,450,890</u>	<u>2,392,363</u>
Subject to passage of time:		
General operations	34,250	19,000
Donated facilities - long-term lease (Note 12)	<u>457,981</u>	<u>594,282</u>
	<u>492,231</u>	<u>613,282</u>
	<u>2,943,121</u>	<u>3,005,645</u>
Endowments subject to spending policy and appropriation:		
Investment income above original gift amount:		
Park Fund	3,243,227	2,660,504
Martin Art Fund	303,682	227,003
LeWitt Art Fund	<u>553,977</u>	<u>422,825</u>
	<u>4,100,886</u>	<u>3,310,332</u>
Investment in perpetuity:		
Park Fund	5,418,332	5,418,332
Martin Friedman Fund for Madison Square Art	831,957	831,957
Sol Lewitt Fund for Artists' Work	<u>1,428,087</u>	<u>1,428,087</u>
	<u>7,678,376</u>	<u>7,678,376</u>
Total Endowments	<u>11,779,262</u>	<u>10,988,708</u>
Total Net Assets With Donor Restrictions	<u>\$14,722,383</u>	<u>\$13,994,353</u>

The Organization's net assets with donor restrictions include endowment funds established for the following purposes:

- 1) Park Fund
The Park Fund endowment was established in 2002, with funds raised through the Organization's original capital campaign, to fund the maintenance, beautification and programming of Madison Square Park.
- 2) Martin Friedman Fund for Madison Square Art
The Martin Art Fund endowment was established in 2011 to fund the curatorial position in Martin Friedman's name.
- 3) Sol LeWitt Fund for Artists' Work
The LeWitt Art Fund endowment was established in 2005 to fund the presentation of art exhibitions in Madison Square Park.

MADISON SQUARE PARK CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 4 - Investments

Investments at December 31, 2021 and 2020, which are all classified as Level 1 in the fair value hierarchy, are reflected at fair value and consist of the following:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and money market funds	\$ 341,700	\$ 341,700	\$ 303,658	\$ 303,658
Mutual funds and exchange traded funds:				
Fixed income	7,561,142	7,603,553	6,901,807	7,219,507
Equities - domestic	2,813,016	4,136,606	2,900,050	3,512,769
Equities - foreign	182,968	243,256	168,488	207,273
	<u>\$10,898,826</u>	<u>\$12,325,115</u>	<u>\$10,274,003</u>	<u>\$11,243,207</u>

Net investment income consists of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$350,104	\$ 391,115
Realized gain on sale of investments	64,271	908,027
Unrealized gain (loss) on investments	457,085	(221,481)
Investment fees	<u>(60,062)</u>	<u>(55,208)</u>
	<u>\$811,398</u>	<u>\$1,022,453</u>

Note 5 - Contributions Receivable

Contributions receivable are due as follows:

	<u>2021</u>	<u>2020</u>
Due within one year	\$1,059,057	\$1,061,419
Due within one to five years	<u>487,500</u>	<u>1,091,583</u>
	1,546,557	2,153,002
Less: Discount to present value	<u>(39,250)</u>	<u>(88,282)</u>
	<u>\$1,507,307</u>	<u>\$2,064,720</u>

Contributions receivable due after one year are reflected at present value of estimated future cash flows using a discount rate of 3%. Uncollectible contributions receivable are expected to be insignificant.

MADISON SQUARE PARK CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 5 - Contributions Receivable (continued)

During 2019, the Organization was awarded a cost-reimbursement grant by the New York State Senate in the amount of \$540,000 for the Park House Capital Improvement Project. The grant has not yet been recognized in the accompanying financial statements, since it is conditional on incurring qualifying expenditures.

The Organization has also received a pledge of \$1,000,000 subject to meeting certain fundraising goals of the capital campaign. During the year ended December 31, 2021, \$100,000 was recognized as revenue. The remaining balance of \$900,000 is conditional and has accordingly not been recognized in the accompanying financial statements.

Note 6 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2021</u>	<u>2020</u>
Office equipment and website	3-5 years	\$126,154	\$153,335
Leasehold improvements	Life of lease	295,930	295,930
Park machinery, furniture and program equipment	5 years	<u>205,521</u>	<u>198,969</u>
		627,605	648,234
Less: Accumulated depreciation		<u>(385,746)</u>	<u>(368,019)</u>
		<u>\$241,859</u>	<u>\$280,215</u>

Note 7 - Line of Credit

On December 14, 2021, the Organization entered into a line of credit note agreement with a bank whereby up to \$1 million may be borrowed through the Draw Period, ending on December 14, 2022. During the Draw Period, interest will accrue monthly on outstanding amounts at a rate of 4.198% plus the Secured Overnight Financing Rate ("SOFR"). Subsequent to the Draw Period, the unpaid principal balance will accrue interest at a rate of 1.89% above the most recently published weekly average yield on the United States Treasury Securities – Constant Maturity Series issued by the United States Government for a term of five years, and principal and interest payments will be due monthly through December 14, 2024. The line of credit note is secured by substantially all assets of the Organization. No borrowings were made during the year ended December 31, 2021. A \$252,000 advance was drawn in June 2022.

MADISON SQUARE PARK CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 8 - Endowment Funds

The Organization's endowment consists of the donor-restricted endowment funds described in Note 3b. Consistent with New York State Not for-Profit Corporation Law and the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), the Organization classifies as net assets with donor restrictions perpetual in nature (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the donor-restricted endowment and (c) accumulations to the donor restricted endowment made in accordance with the direction of any 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 classified as perpetual in nature is classified as subject to spending policy and appropriation until those amounts are appropriated for expenditure by the Organization.

In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (i) the duration and preservation of the endowment fund;
- (ii) the purposes of the Organization and the endowment fund;
- (iii) general economic conditions;
- (iv) the possible effect of inflation or deflation;
- (v) the expected total return from income and the appreciation of investments;
- (vi) other resources of the Organization;
- (vii) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Organization; and
- (viii) the investment policy of the Organization

The Organization's endowment funds are donor-restricted and are summarized by net asset classification as follows:

	2021		
	Investment Income Above Original Amount	Investment in Perpetuity	Total
Donor-Restricted Endowment Funds			
Park Fund	\$3,243,227	\$5,418,332	\$ 8,661,559
Martin Friedman Fund for Madison Square Art	303,682	831,957	1,135,639
Sol LeWitt Fund for Artists' Work	<u>553,977</u>	<u>1,428,087</u>	<u>1,982,064</u>
	<u>\$4,100,886</u>	<u>\$7,678,376</u>	<u>\$11,779,262</u>

MADISON SQUARE PARK CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 8 - Endowment Funds (continued)

	<u>2020</u>		
	<u>Investment Income Above Original Amount</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Donor-Restricted Endowment Funds			
Park Fund	\$2,660,504	\$5,418,332	\$ 8,078,836
Martin Friedman Fund for Madison Square Art	227,003	831,957	1,058,960
Sol LeWitt Fund for Artists' Work	<u>422,825</u>	<u>1,428,087</u>	<u>1,850,912</u>
	<u>\$3,310,332</u>	<u>\$7,678,376</u>	<u>\$10,988,708</u>

Changes in endowment funds are summarized as follows for the years ended December 31:

	<u>2021</u>		
	<u>Investment Income Above Original Amount</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Endowment funds, beginning of year	\$3,310,332	\$7,678,376	\$10,988,708
Net investment gain	790,554	-	790,554
Appropriations for use in operations	<u>-</u>	<u>-</u>	<u>-</u>
Endowment Funds, End of Year	<u>\$4,100,886</u>	<u>\$7,678,376</u>	<u>\$11,779,262</u>

	<u>2020</u>		
	<u>Investment Income Above Original Amount</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Endowment funds, beginning of year	\$2,338,494	\$7,678,376	\$10,016,870
Net investment gain	997,970	-	997,970
Appropriations for use in operations	<u>(26,132)</u>	<u>-</u>	<u>(26,132)</u>
Endowment Funds, End of Year	<u>\$3,310,332</u>	<u>\$7,678,376</u>	<u>\$10,988,708</u>

Return Objectives, Risk Parameters and Strategies

The Organization has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, with acceptable levels of risk.

MADISON SQUARE PARK CONSERVANCY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2021 AND 2020****Note 8 - Endowment Funds (continued)**

Endowment assets are invested in a well-diversified asset mix in multiple managed brokerage accounts. This asset mix is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution, if appropriate, while growing the funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed in order not to expose the funds to unacceptable levels of risk.

Spending Policy

Investment income may be used to support the art and park programs. In establishing spending policies for its endowment funds, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

No appropriations were made for the year ended December 31, 2021. For the year ended December 31, 2020, the Board of Trustees approved appropriations of \$26,132 from the Park Fund for park ground improvements.

Note 9 - Paycheck Protection Program

During 2020, the Organization received a loan totaling \$471,903 under the Paycheck Protection Program ("PPP") administered by the U.S. Small Business Administration. The loan included provisions for forgiveness if the Organization met certain employee retention requirements and the funds were used for eligible expenses. Because management expected to meet the requirements for forgiveness of the entire loan amount, the loan was recorded as a conditional grant and recognized as revenue for 2020 since eligible expenses totaling \$471,903 were paid with the proceeds of the loan. In May 2021, the Organization received forgiveness of the full loan amount.

During 2021, the Organization received a second PPP loan totaling \$471,902. The loan included the same provisions for forgiveness as the first PPP loan. Because management expected to meet the requirements for forgiveness of the entire loan amount, the loan was recorded as a conditional grant and recognized as revenue for 2021 since eligible expenses totaling \$471,902 were paid with the proceeds of the loan. In October 2021, the Organization received forgiveness of the full loan amount.

MADISON SQUARE PARK CONSERVANCY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2021 AND 2020****Note 10 - Concentration of Credit Risk**

The Organization maintains its cash and cash equivalent balances at various institutions in New York City. Balances often exceed insured limits; however, the Organization believes that these institutions are reputable and that risk of loss is remote.

Note 11 - Commitments, Contingency and Related Party Transactions

- a - Under an agreement dated May 2013 with The City of New York, by and through the Department of Parks & Recreation ("Parks"), the Organization maintains, improves and provides recreational and educational programming at Madison Square Park for the benefit of the public. The agreement provided for a ten-year term through May 2023, which was subsequently extended for a five year renewal term through May 2028. The agreement requires that the Organization maintain a certain level of annual financial commitment and expenditure, increasing annually by Consumer Price Index, with the exclusion of certain cost categories. Under the terms of the agreement, the Organization reimburses Parks for security staffing. The agreement provides for the Organization to receive 100% of concession fees otherwise due to the City under a license agreement for the operation of a food stand and outdoor café (Note 11b). The agreement limits the number of fundraising and special events held annually at Madison Square Park. In the event that specified revenues exceed budgeted expenditures for a given year, the Organization is required to transfer up to \$250,000 of such excess into a segregated capital reserve fund, to be drawn down to fund capital expenditures approved by the City. Any remaining excess is required to be remitted to the City. For 2021 and 2020, there was no excess revenue.
- b - Under a license agreement dated October 2013, with a term through November 2025 between Parks and a concessionaire company (the "operator"), the Organization receives the concession fees from the operation of the food stand and outdoor café in Madison Square Park. One of the operator's owners is a Board member of the Organization. The agreement provides for concession fees based on a percentage of the operator's gross receipts, subject to an annual minimum fee of \$750,000 per annum, increasing 2% annually. Income received during the years ended December 31, 2021 and 2020 totaled \$862,949 and \$846,029, respectively.
- c - In January 2020, the Organization entered into a license agreement with Parks, to provide for the operation of a new specialty food market. The initial term of the agreement is for two years, with an option for three one-year renewals. The agreement requires the Organization to remit to Parks an annual fee equal to 10% of gross receipts, with a minimum annual fee of \$50,000, increasing 2% annually. The Organization has not yet entered into a sublicense agreement with a new market vendor to operate the market.

MADISON SQUARE PARK CONSERVANCY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2021 AND 2020****Note 11 - Commitments, Contingency and Related Party Transactions (continued)**

- d - For the year ended December 31, 2021 and 2020, the Organization paid companies of a Board member approximately \$54,000 and \$1,000 for catering related to benefit events and an exhibition opening.
- e - Government supported projects are subject to audit by the governmental granting agency.
- f - At December 31, 2021, the Organization has entered into a contractual commitment totalling approximately \$1.1 million for park related capital improvements.

Note 12 - Donated Services and Facilities

The Organization receives donated office space which is recorded at fair value. The Organization occupies this office space under an operating lease which was formally extended during 2018 for a five-year period through March 2025. For each of the years ended December 31, 2021 and 2020, the value of this donated office space was approximately \$150,000. As the five-year operating lease was recorded as a contribution with donor restrictions, \$150,000 and \$112,500, respectively, was released from restrictions for the years ended December 31, 2021 and 2020 (Note 3b).

During the year ended December 31, 2021, the Organization also received donated landscaping valued at \$20,000 and donated legal services valued at \$2,612.

During the year ended December 31, 2020, the Organization also received donated equipment valued at \$8,716.

Note 13 - Retirement Plan

The Organization maintains a defined contribution pension plan for all eligible employees who have completed one year of service. The Organization makes a discretionary contribution to the plan on an annual basis limited to a 4% match of an eligible employee's annual earnings. The total contribution to the plan for the years ended December 31, 2021 and 2020 was \$54,275 and \$57,034, respectively.

MADISON SQUARE PARK CONSERVANCY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2021 AND 2020****Note 14 - Risks and Uncertainties**

In March 2020, the COVID-19 pandemic was declared a national emergency. For the 2021 year, Madison Square Park Conservancy continued to minimize large-scale fundraising events and programming abiding by state and local authorities guidelines. The Organization continued to use the digital space for programming while reducing costs wherever necessary for the remainder of the year. During these challenging times, the Organization is looking to ensure that it can continue to bring virtual programming to the community during the global pandemic. Management also immediately began to assess the potential impact of the loss of income and took initial action to examine opportunities to cut costs, making reductions where feasible. To help offset losses of revenue, appeals were made to major donors to request acceleration of their annual contributions and to request that grants be allocated to general operating expenses rather than for donor-restricted purposes or specific programs. Throughout this period, the operations staff continues to care for Madison Square Park, so that visitors may continue to use the park with implemented safety measures. Administrative staff began working remotely to ensure safety. The Organization implemented a vaccination requirement starting October 1, 2021 for all employees and new hires. The Organization will consider accommodations for medical, disability and religious-based reasons. The Organization applied for and received two loans under the Paycheck Protection Program established by the CARES Act both, of which were subsequently forgiven in entirety (Note 9).