

**PROSPECT PARK ALLIANCE, INC.**

**Financial Statements  
for the year ended  
June 30, 2011  
(with summarized totals for 2010)**

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**CONDON  
O'MEARA  
MCGINTY &  
DONNELLY LLP**

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Certified Public Accountants

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**Independent Auditors' Report**

To the Board of Directors of  
Prospect Park Alliance, Inc.

We have audited the accompanying statement of financial position of Prospect Park Alliance, Inc. (the "Alliance") as of June 30, 2011 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Alliance's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative financial information has been derived from the Alliance's 2010 financial statements and, in our report dated October 8, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Prospect Park Alliance, Inc. at June 30, 2011 and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Condon O'Meara McGinty & Donnelly LLP*

October 11, 2011

**PROSPECT PARK ALLIANCE, INC.**

**Statement of Financial Position**

**Assets**

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 588,192	\$ 2,196,795
Investments, at fair value	10,058,509	8,618,825
Accounts receivable	258,896	946,348
Contributions receivable – current	1,769,029	2,971,213
Inventory, at cost	9,455	16,513
Prepaid expenses and deposits	132,529	118,904
Total current assets	12,816,610	14,868,598
<b>Contributions receivable – long-term</b>	978,613	318,531
<b>Property and equipment, at cost, net</b>	2,398,487	2,706,478
<b>Security deposits</b>	46,624	59,944
<b>Deferred loan costs</b>	34,997	39,371
<b>Escrow fund</b>	93,653	93,466
<b>Total assets</b>	<b>\$ 16,368,984</b>	<b>\$ 18,086,388</b>

**Liabilities and net assets**

<b>Current liabilities</b>		
Bank loan payable	\$ 257,612	\$ 161,794
Accounts payable and accrued expenses	1,521,499	1,859,862
Deferred revenue and support	394,457	381,588
Total current liabilities	2,173,568	2,403,244
<b>Bank loan payable – net of current portion</b>	2,016,090	2,530,114
Total liabilities	4,189,658	4,933,358
<b>Net assets</b>		
Unrestricted		
Operating	542,411	286,355
Board-designated endowment fund	1,714,141	1,773,056
Total unrestricted	2,256,552	2,059,411
Temporarily restricted		
Programs	1,013,057	619,846
Lakeside Center Capital Campaign	7,076,495	9,009,914
Endowment fund	87,351	39,013
Total temporarily restricted	8,176,903	9,668,773
Permanently restricted – endowment fund	1,745,871	1,424,846
Total net assets	12,179,326	13,153,030
<b>Total liabilities and net assets</b>	<b>\$ 16,368,984</b>	<b>\$ 18,086,388</b>

See notes to financial statements.

PROSPECT PARK ALLIANCE, INC.

Statement of Activities  
Year Ended June 30, 2011

(with Summarized Comparative Financial Information for the Year Ended June 30, 2010)

	2011										2010		
	Unrestricted					Temporarily Restricted					Permanently Restricted		
	Operating	Lakeside Campaign	Board-Designated Endowment	Programs	Lakeside Campaign	Endowment	Total	Endowment	Total	Endowment	Total		
<b>Support and revenue</b>													
Support	\$ 1,142,267	\$ -	\$ -	\$ 1,142,267	\$ 23,879	\$ 1,055,595	\$ -	\$ 1,079,474	\$ -	\$ 2,221,741	\$ 1,794,024		
Individuals	369,971	3,583	-	373,554	326,949	82,458	-	409,407	-	782,961	589,980		
Corporations	445,100	-	-	445,100	1,020,376	1,339,012	-	2,359,388	-	2,804,488	1,390,372		
Foundations	724,619	13,750	-	738,369	214,166	-	-	214,166	-	952,535	1,607,922		
Government	956,420	-	-	956,420	-	-	-	-	-	956,420	290,297		
Fundraising events - net of direct costs	130,277	-	(130,277)	-	-	-	-	-	-	-	-		
Transfer to operating fund	1,553,159	4,078,660	-	5,631,819	(1,192,159)	(4,439,660)	-	(5,631,819)	-	-	-		
Net assets released from restrictions	5,321,813	4,095,993	(130,277)	9,287,529	393,211	(1,962,595)	-	(1,569,384)	-	7,718,145	5,672,595		
Total support	188,138	159,152	-	347,290	-	-	-	-	-	347,290	1,426,751		
Revenue	3,254,851	-	-	3,254,851	-	-	-	-	-	3,254,851	3,834,857		
Design and construction contracts	5,330	-	19,937	25,267	27,435	41,338	-	68,773	1,024	95,064	80,277		
Sales, rentals and fees	(314)	-	131,425	131,111	1,741	7,000	-	8,741	320,001	459,853	230,175		
Investment income	3,448,005	159,152	151,362	3,758,519	-	29,176	48,338	77,514	-	4,157,058	5,572,060		
Net realized and unrealized gain (loss) on investments	97,676	-	-	97,676	-	-	-	-	-	97,676	-		
Sub-total	3,545,681	159,152	151,362	3,856,195	-	29,176	48,338	77,514	-	4,254,734	5,572,060		
Insurance claim	441,014	(441,014)	-	-	-	-	-	-	-	-	-		
Total revenue	9,308,508	3,814,131	21,085	13,143,724	393,211	(1,933,419)	48,338	(1,491,870)	-	11,972,879	11,244,655		
Transfer to cover operating expenses	1,591,703	-	-	1,591,703	-	-	-	-	-	1,591,703	1,631,628		
Total support and revenue	377,657	-	-	377,657	-	-	-	-	-	377,657	328,945		
Expenses	973,956	-	-	973,956	-	-	-	-	-	973,956	856,466		
Program services	3,274,836	-	-	3,274,836	-	-	-	-	-	3,274,836	3,108,395		
Field operations and woodlands	809,705	3,683,870	-	4,493,575	-	-	-	-	-	4,493,575	4,736,263		
Public programs	7,027,857	3,683,870	-	10,711,727	-	-	-	-	-	10,711,727	10,661,697		
Educational programs	925,949	-	-	925,949	-	-	-	-	-	925,949	877,239		
Visitor services and events	1,178,646	130,261	-	1,308,907	-	-	-	-	-	1,308,907	1,150,130		
Design and construction	2,104,595	130,261	-	2,234,856	-	-	-	-	-	2,234,856	2,027,369		
Total program services	9,132,452	3,814,131	-	12,946,583	-	-	-	-	-	12,946,583	12,689,066		
Supporting services	176,056	-	21,085	197,141	393,211	(1,933,419)	48,338	(1,491,870)	-	(973,704)	(1,444,411)		
General and administrative	80,000	-	(80,000)	-	393,211	(1,933,419)	48,338	(1,491,870)	-	(973,704)	(1,444,411)		
Fund-raising	256,056	-	(58,915)	197,141	619,846	9,009,914	39,013	9,668,773	1,424,846	13,153,030	14,597,441		
Total supporting services	286,355	-	1,773,056	2,059,411	\$ 1,013,057	\$ 7,076,495	\$ 87,351	\$ 8,176,903	\$ 1,745,871	\$ 12,179,326	\$ 13,153,030		
Total expenses	542,411	\$ -	\$ 1,714,141	\$ 2,256,552	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Increase (decrease) in net assets before other transfer													
Transfer from board-designated endowment fund - net													
Increase (decrease) in net assets													
Net assets, beginning of year													
Net assets, end of year													

See notes to financial statements.

PROSPECT PARK ALLIANCE, INC.

Statement of Functional Expenses  
 Year Ended June 30, 2011  
 (with Summarized Comparative Financial Information for the Year Ended June 30, 2010)

	2011										2010
	Program Services					Supporting Services					Total
	Field Operations and Woodlands	Public Programs	Educational Programs	Visitor Services and Events	Design and Construction	Total Program Services	General and Administrative	Fund-raising	Total	Total	
Salaries and wages	\$ 965,801	\$ 232,115	\$ 698,727	\$ 1,113,706	\$ 526,991	\$ 3,537,340	\$ 573,909	\$ 717,347	\$ 4,828,596	\$ 4,736,447	
Payroll taxes and fringe benefits	255,894	54,726	174,211	274,841	139,455	899,127	152,339	189,008	1,240,474	1,010,107	
Professional fees	62,061	8,647	12,153	420,818	855,868	1,359,547	74,439	132,267	1,566,253	2,840,642	
Construction	-	-	-	-	2,846,612	2,846,612	-	-	2,846,612	1,882,976	
Cost of goods sold	-	-	-	60,462	-	60,462	-	-	60,462	114,473	
Supplies and equipment	134,698	21,035	49,176	74,462	87,034	366,405	42,816	53,945	463,166	369,550	
Printing and postage	4,060	5,340	5,141	7,355	4,995	26,891	2,426	103,095	132,412	148,071	
Fees and interest	838	450	731	337,359	-	339,378	6,234	36,315	381,927	392,281	
Insurance	-	873	15,933	160,891	11,776	189,473	29,172	-	218,645	216,064	
Facilities costs	69,398	2,039	8,613	497,424	6,461	583,935	9,604	529	594,068	380,693	
Other costs	2,670	43,835	7,935	667	8,212	63,319	18,363	74,968	156,650	126,448	
Depreciation and amortization	96,283	8,597	1,336	326,851	6,171	439,238	16,647	1,433	457,318	471,314	
<b>Total</b>	<b>\$ 1,591,703</b>	<b>\$ 377,657</b>	<b>\$ 973,956</b>	<b>\$ 3,274,836</b>	<b>\$ 4,493,575</b>	<b>\$ 10,711,727</b>	<b>\$ 925,949</b>	<b>\$ 1,308,907</b>	<b>\$ 12,946,583</b>	<b>\$ 12,689,066</b>	

See notes to financial statements.

**PROSPECT PARK ALLIANCE, INC.**

**Statement of Cash Flows**

	Year Ended June 30	
	2011	2010
<b>Cash flows from operating activities</b>		
(Decrease) in net assets	\$ (973,704)	\$(1,444,411)
Adjustments to reconcile (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	452,944	466,939
Amortization of deferred loan costs	4,374	4,375
Net realized and unrealized (gain) on investments	(459,853)	(230,175)
Contributions of stock	(113,447)	(25,472)
(Increase) decrease in assets		
Accounts receivable	687,452	(521,717)
Contributions receivable	542,102	3,896,925
Inventory	7,058	1,110
Prepaid expenses and deposits	(13,625)	(74,168)
Security deposits	13,320	(2,953)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(338,363)	220,370
Deferred revenue and support	12,869	17,384
Net cash provided by (used in) operating activities	(178,873)	2,308,207
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(144,953)	(49,824)
Purchases of investments	(2,692,857)	(8,161,954)
Proceeds from sale of investments	1,826,473	6,609,331
Net cash (used in) investing activities	(1,011,337)	(1,602,447)
<b>Cash flows (used in) financing activities</b>		
Repayment of bank loan payable	(418,206)	(151,553)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,608,416)</b>	<b>554,207</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>2,290,261</b>	<b>1,736,054</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 681,845</b>	<b>\$ 2,290,261</b>
Consist of:		
Operations	\$ 588,192	\$ 2,196,795
Escrow	93,653	93,466
Total	681,845	2,290,261
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	\$ 160,383	\$ 182,037

See notes to financial statements.

**PROSPECT PARK ALLIANCE, INC.****Notes to Financial Statements****June 30, 2011****Note 1 – Nature of organization**

Prospect Park Alliance, Inc. (the “Alliance”) is a not-for-profit organization established to enable the private sector to assist in Prospect Park’s maintenance, restoration and visitor services. The organization enhances rather than replaces the City of New York support for Prospect Park. This is accomplished through the following:

- Field operations and woodlands – Overseeing the care of Prospect Park’s 585 acres, particularly the restoration of 100 acres of woodlands.
- Public programs – Undertaking various programs that are supported by contributions from individuals, corporations, foundations and government.
- Educational programs – Increasing public appreciation of the Park as a designed landscape and a natural environment that brings benefits and enjoyment to its users and surrounding communities. The Prospect Park Audubon Center offers nature and environmental programming to local schools and is open to the public as an urban nature center with interactive exhibits and activities.
- Visitor services and events – Operating the Carousel, Boathouse, Picnic House, Ice Skating Rink and concessions at Wollman Rink in the Park as well as the Tennis Center and other facilities at the Parade Ground.
- Design and construction – Designing and supervising construction of various publicly and privately funded projects in the Park.
- Lakeside Center Capital Campaign – In partnership with the City of New York, the Alliance has undertaken the design and construction of a new Lakeside Center in Prospect Park. The Lakeside Center will provide the Park with a visitor center, year-round recreational activities and educational programs. The project will also restore the landscape and lakeshore in the vicinity of the facility. The Alliance has committed to raising public and private funds to cover the cost of the project.

**Note 2 – Summary of significant accounting policies****Net assets**

Unrestricted net assets consist of amounts that can be spent at the discretion of the Alliance. Temporarily restricted net assets consist of contributions that are restricted by the donor for a specific purpose or pertain to future periods. Permanently restricted net assets consist of contributions that are restricted by the donor in that the principal must remain in perpetuity but that the investment income earned on such funds may be spent in accordance with the donor’s terms. During the 2011 fiscal year, the Alliance transferred the annual drawdown which totaled \$130,277 from the Board-designated endowment fund to the operating fund.

**PROSPECT PARK ALLIANCE, INC.****Notes to Financial Statements (continued)****June 30, 2011****Note 2 – Summary of significant accounting policies (continued)**Net assets (continued)

In addition, \$165,000 of the operating surplus for the 2011 fiscal year was transferred to the Board-designated endowment fund. Furthermore, \$245,000 of the Board-designated endowment fund was transferred to the operating fund in order to pay down bank loan principal.

Cash equivalents

The Alliance considers highly liquid assets with original maturities of 90 days or less to be cash equivalents, unless such assets are held as part of its investment strategy in which case these assets are included in investments.

Investments

The fair value of the investments is based on publicly quoted prices. The cost of investments sold is determined on a first-in, first-out basis. Interest and dividend income is allocated between unrestricted and temporarily restricted net assets. Capital gains, realized and unrealized gains and losses on investments are allocated among unrestricted, temporarily restricted and permanently restricted net assets.

Fair value measurements

For assets measured at fair value on a recurring basis as of June 30, 2011, accounting principles generally accepted in the United States of America require quantitative disclosures about the fair value measurements separately for each major category of assets. The Alliance's investments have all been classified in the highest level of hierarchy (Level 1). Its quoted prices are in active markets for identical assets.

Allowance for doubtful accounts

As of June 30, 2011, the Alliance has an allowance for doubtful accounts of \$13,592 for any potentially uncollectible accounts and contributions receivables. Such estimate is based on management's experience, the aging basis of the receivables, subsequent receipts and current economic conditions.

Deferred loan costs

Loan costs incurred in connection with the bank loan payable are being amortized over the term of the loan.

**PROSPECT PARK ALLIANCE, INC.****Notes to Financial Statements (continued)****June 30, 2011****Note 2 – Summary of significant accounting policies (continued)**Collections of historical interest

The Alliance maintains collections of historic reference materials and 18<sup>th</sup> and 19<sup>th</sup> century objects. Consistent with the practices of many other not-for-profit organizations, the value of the Alliance's collections is not reflected in the statement of financial position. Purchases of items are expensed in the year that the items are acquired.

Contributions

The Alliance reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor stipulation expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Design and administrative fees

To cover various design, general and administrative expenses, the Alliance charges certain funds a one-time design or administrative fee, where permitted.

Donated goods and services

The Alliance receives donated goods and services from the City of New York and certain companies and certain individuals that are used for the Alliance's various projects and administration. These goods and services are an integral part of the activities of the Alliance and would have had to be purchased by the Alliance if they had not been donated and are therefore reflected on the statement of activities. The goods and services were recorded at the fair value based on what it would have cost the Alliance to purchase them independently. The donated goods and services totaled \$879,344 for the 2011 fiscal year.

Functional expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated between the program and supporting services benefited.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

**PROSPECT PARK ALLIANCE, INC.**

**Notes to Financial Statements (continued)**

**June 30, 2011**

**Note 2 – Summary of significant accounting policies (continued)**

Concentration of credit risk

The Alliance's financial instruments that are potentially exposed to concentration of credit risk consist of cash, cash equivalents, investments and receivables. The Alliance places its cash and cash equivalents with what it believes to be quality financial institutions and invests in mutual funds. At times, cash balances may be in excess of the FDIC insurance limit. However, the Alliance has not experienced any losses in these accounts to date. The Alliance routinely assesses the financial strength of its cash, cash equivalents and investment portfolio. The Alliance's management monitors the collectability of receivables. As a consequence, concentrations of credit risk are limited.

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Alliance's financial statements for the year ended June 30, 2010 from which the summarized information was derived.

Subsequent events

The Alliance has evaluated events and transactions for potential recognition or disclosure through October 11, 2011, which is the date the financial statements were available to be issued.

**Note 3 – Investments**

The following is a summary of the investments held by the Alliance as of June 30, 2011:

	<u><b>Fair Value</b></u>
Cash equivalents	\$ 7,559,512
Mutual funds:	
Bond Fund	585,559
Equity Fund	<u>1,913,438</u>
Total	<u><b>\$10,058,509</b></u>

\$250,000 of the Alliance's mutual funds are pledged against the line of credit (see note 4).

**PROSPECT PARK ALLIANCE, INC.****Notes to Financial Statements (continued)****June 30, 2011****Note 4 – Loan payable and line of credit**

In July 2006, the Alliance obtained a five year term loan of \$3,711,000, expiring in August 2011. The loan agreement provided for a 20-year amortization period and interest payments at a fixed rate of 6.47% per annum. Collateral for the loan was secured by all personal property of the Alliance and cash collateral of \$500,000. The loan agreement contained restrictive financial covenants, as defined in the agreement, whereby the Alliance was required to comply. As of June 30, 2011, \$2,273,702 was outstanding under this loan agreement. In addition, \$93,653 was held in an escrow account.

The Alliance had a secured \$500,000 revolving line of credit with Sovereign Bank, bearing interest at the bank's floating rate of LIBOR, as defined in the agreement, plus 2.75% with a minimum rate of 5.25% per annum. As of June 30, 2011 the interest rate was 5.25% and no amounts were outstanding under the line of credit.

In August 2011, the Alliance refinanced its loan and line of credit with JP Morgan Chase Bank. The proceeds derived from the new loan from JP Morgan Chase Bank were used to repay the outstanding principal due to Sovereign at the end of the term plus accrued interest from July 1, 2011 through August 8, 2011. The funds held in the escrow account were released.

The terms of the new agreement with JP Morgan Chase Bank provide for loan principal of \$2,258,162, an amortization period of seven years with a maturity date of August 8, 2018 and interest payments at a fixed rate of 3.55% per annum. The loan is secured by a security interest and lien upon all business assets of the Alliance and JP Morgan Chase Bank has a right of set-off on all its Alliance accounts. The loan agreement contains a restrictive financial covenant, as defined in the agreement. The loan also contains a prepayment premium as outlined in the agreement.

The terms of the new line of credit agreement with JP Morgan Chase Bank provide for a principal amount of \$500,000, an interest rate of LIBOR plus 2.062%, a security interest on all business assets, and a maturity date of November 8, 2012. As of the date of this report, no amounts were outstanding under the line of credit.

**PROSPECT PARK ALLIANCE, INC.**  
**Notes to Financial Statements (continued)**  
**June 30, 2011**

**Note 4 – Loan payable and line of credit (continued)**

As of June 30, 2011, the annual principal payments required under the new loan are as follows:

<u>Fiscal year</u>	<u>Amount</u>
2012	\$ 257,612
2013	300,085
2014	310,913
2015	322,132
2016	333,755
2017 and thereafter	<u>749,205</u>
Balance outstanding at June 30, 2011	2,273,702
Less: due within one year	<u>257,612</u>
Long-term portion	<u>\$ 2,016,090</u>

**Note 5 – Property and equipment**

Property and equipment are recorded at cost. Depreciation is being provided on the straight-line method over the estimated useful lives of the assets, which range from three to thirteen years.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. It is the Alliance's policy to imply a time restriction, based on the assets' estimated useful lives, on donations of property and equipment that are not restricted as to their use by the donor. Accordingly, these donations are recorded as temporarily restricted support. The Alliance reclassifies temporarily restricted net assets to unrestricted net assets each year for the amount of the donated property and equipment's depreciation expense.

Depreciation of furniture, fixtures and equipment is being provided on the straight-line method over their estimated useful lives of three and five years.

In accordance with the agreement the Alliance entered into with the City of New York to operate and maintain the Tennis Center, the Alliance purchased a Tennis bubble and has constructed a clubhouse. Depreciation of the Tennis bubble is being provided on the straight-line method over its estimated useful life of ten years. The clubhouse is being depreciated on the straight-line method over the remaining term of the agreement.

Consistent with a directive from the City of New York and practices of other similar organizations, the cost of all improvements made to property owned by the City of New York is expensed by the Alliance in the year that they are incurred. All design and construction costs are also expensed in the year they are incurred.

**PROSPECT PARK ALLIANCE, INC.**

**Notes to Financial Statements (continued)**

**June 30, 2011**

**Note 5 – Property and equipment (continued)**

A summary of the property and equipment and the accumulated depreciation as of June 30, 2011 is as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Tennis Center	\$ 3,728,893	\$ 1,655,225	\$ 2,073,668
Furniture, fixtures and equipment	<u>1,622,480</u>	<u>1,297,661</u>	<u>324,819</u>
Total	<u>\$ 5,351,373</u>	<u>\$ 2,952,886</u>	<u>\$ 2,398,487</u>

**Note 6 – Contributions receivable**

Contributions receivable are unconditional promises to make donations to the Alliance. The Alliance discounts its receivables to their present value using a rate of 3.55%, including the receivables due within one year. Contributions receivable are expected to be received as follows:

	<u>Amount</u>
Due within 1 year	\$ 1,795,986
Due within 1 to 5 years	<u>1,079,272</u>
Sub-total	2,875,258
Less amount to reduce contributions receivable to their present value (discount rate – 3.55%)	<u>(127,616)</u>
Total	<u>\$ 2,747,642</u>

**Note 7 – Permit and licensing fees**

The Alliance has a licensing agreement with the City of New York to operate the Boathouse and the Picnic House located in the Park. The agreement will be up for renewal on December 31, 2012.

The Alliance has a licensing agreement with the City of New York to operate the Park's historic Carousel. The agreement expired on October 15, 2010 and has been renewed monthly thereafter to the present date.

The Alliance had a permit from the City of New York for operational management of concession services at and around the Wollman Rink. This permit expired on November 20, 2010 and will not be renewed until the completion of the reconstruction of the Lakeside Center.

**PROSPECT PARK ALLIANCE, INC.**

**Notes to Financial Statements (continued)**

**June 30, 2011**

**Note 7 – Permit and licensing fees (continued)**

The Alliance has a licensing agreement with the City of New York to operate a year-round tennis facility at the Parade Grounds. The agreement will be up for renewal on October 12, 2018.

All agreements are terminable at will by the Commissioner of the Department of Parks and Recreation of the City of New York.

The agreements require minimum annual fees payable in equal monthly installments. Permit and licensing fees totaled \$120,771 for the 2011 fiscal year. The aforementioned fees paid are subject to review and audit by the Commissioner of the Department of Parks and Recreation of the City of New York.

Annual fee payments required under these agreements for future years as of June 30, 2011, are as follows:

<u>Fiscal year</u>	<u>Amount</u>
2012	\$ 86,667
2013	96,667
2014	106,669
2015	116,667
2016	123,333
2017 and thereafter	<u>306,666</u>
Total	<u>\$ 836,669</u>

**PROSPECT PARK ALLIANCE, INC.**

**Notes to Financial Statements (continued)**

**June 30, 2011**

**Note 8 – Temporarily restricted net assets**

The following is a summary of the activity of the temporarily restricted net assets for the year ended June 30, 2011:

	<u>Balance, June 30, 2010</u>	<u>Support</u>	<u>Net Investment Activity</u>	<u>Net Assets Released from Restrictions</u>	<u>Balance, June 30, 2011</u>
Programs					
Field operations and woodlands	\$ 314,044	\$ 558,236	\$ -	\$ (430,436)	\$ 441,844
Public programs	47,332	117,947	-	(145,967)	19,312
Educational programs	91,563	403,965	-	(326,095)	169,433
Visitor services	7,030	33,500	-	(35,509)	5,021
Design and construction	116,473	147,337	-	(120,252)	143,558
Supporting services	-	75,000	-	(75,000)	-
Time restrictions	<u>43,404</u>	<u>249,385</u>	<u>-</u>	<u>(58,900)</u>	<u>233,889</u>
Total programs	619,846	1,585,370	-	(1,192,159)	1,013,057
Lakeside Campaign	9,009,914	2,477,065	29,176	(4,439,660)	7,076,495
Endowment	<u>39,013</u>	<u>-</u>	<u>48,338</u>	<u>-</u>	<u>87,351</u>
Total	<u>\$ 9,668,773</u>	<u>\$ 4,062,435</u>	<u>\$ 77,514</u>	<u>\$ (5,631,819)</u>	<u>\$ 8,176,903</u>

**Note 9 – Endowments**

The Alliance follows the New York State Not-For-Profit Corporation Law (N-PCL) when adhering to donor-restricted contributions. The Alliance preserves the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

The Alliance considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund, the purposes of the Alliance and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the Alliance, and the investment policies of the Alliance.

The Alliance's investment goals are to provide a secure and dependable investment return for appropriation to the operating budget, protect the historic dollar value of the funds and provide sufficient liquidity to accommodate foreseeable appropriations.

**PROSPECT PARK ALLIANCE, INC.**

**Notes to Financial Statements (continued)**

**June 30, 2011**

**Note 9 – Endowments (continued)**

The Alliance's policy is to diversify investments to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category.

The following is a summary of the activity of the Alliance's endowment funds for the year ended June 30, 2011:

<u>Program/Purpose</u>	<u>Balance, June 30, 2010</u>	<u>Net Investment Income</u>	<u>Net Assets Released/ Transferred</u>	<u>Balance June 30, 2011</u>
Unrestricted – Board-designated	\$1,773,056	\$ 151,362	\$ (210,277)	\$1,714,141
 <u>Temporarily restricted</u>				
Woodlands Fund	\$ 26,572	\$ 33,034	\$ -	\$ 59,606
Parade Ground Fund	12,441	15,304	-	27,745
Total	<u>\$ 39,013</u>	<u>\$ 48,338</u>	<u>\$ -</u>	<u>\$ 87,351</u>
 <u>Permanently restricted</u>				
Woodlands Fund	\$ 958,074	\$ 219,370	\$ -	\$1,177,444
Parade Ground Fund	436,488	95,785	-	532,273
Tennis Scholarship Fund	30,284	5,870	-	36,154
Total	<u>\$1,424,846</u>	<u>\$ 321,025</u>	<u>\$ -</u>	<u>\$1,745,871</u>
Total Endowment Funds				<u>\$3,547,363</u>

**Note 10 – Retirement plan**

The Alliance maintains a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. Employees of the Alliance become eligible to participate in the plan when they have completed two years of service at the Alliance and are 21 years of age. Once an employee is in the plan, the employee is immediately vested. The Alliance's contribution of 2% of each eligible employee's compensation, which had been suspended since February 2009, was reinstated in September 2010. Additionally, the Alliance made a one-time contribution of \$74,739 to the plan for eligible staff. In total, the Alliance made contributions to the plan totaling \$123,729 during the 2011 fiscal year.

**PROSPECT PARK ALLIANCE, INC.****Notes to Financial Statements (continued)****June 30, 2011****Note 11 – Commitments**

During the 2008 fiscal year, the Alliance entered into a contractual agreement with the City of New York to provide design services for the construction of a new Lakeside Center in Prospect Park. In order to fulfill this obligation, the Alliance has formed a team to collaborate in the design. During the 2008 through 2011 fiscal years, the Alliance entered into a number of contractual agreements for the provision of services related to the project. Contracts totaling \$11,444,601 have been entered into and not yet completed of which \$552,580 was unpaid and included in accounts payable and accrued expenses. These commitments are funded either by the City of New York or by private support and are cancelable with no more than 30 days' notice.

**Note 12 – Litigation**

The Alliance is currently involved in a number of legal proceedings arising in the ordinary course of business. The Alliance believes it has defenses for these proceedings and is vigorously defending the actions. In the opinion of management, after consultation with outside legal counsel, the final disposition of these matters will not have a material effect on the Alliance's financial statements.

In certain of the above proceedings, the Alliance has been notified by the City of New York Legal Department that it will defend the Alliance and pay on its behalf any judgment arising out of the proceedings.

**Note 13 – Tax status**

The Alliance is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, the Alliance has been determined by the Internal Revenue Service to be a publicly supported organization, and not a private foundation, within the meaning of Section 509(a)(1) of the Code. As of June 30, 2011, no amounts have been recognized for uncertain income tax positions. The Alliance's tax returns for the 2008 fiscal year and forward are subject to the usual review by the appropriate taxing authorities.