

PROSPECT PARK ALLIANCE, INC.

**Financial Statements
for the year ended
June 30, 2021**

**(with summarized comparative
information for 2020)**

Independent Auditor's Report

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

We have audited the accompanying financial statements of Prospect Park Alliance, Inc. (the "Alliance") which comprise the statement of financial position as of June 30, 2021 and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph on the previous page present fairly, in all material respects, the financial position of Prospect Park Alliance, Inc. as of June 30, 2021 and the results of its activities and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Alliance's 2020 fiscal year financial statements, and our report dated October 23, 2020 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carole Dileasa Sulc Gitt & Donnelly LLP

January 19, 2022

PROSPECT PARK ALLIANCE, INC.

Statement of Financial Position

Assets

	June 30	
	2021	2020
Current assets		
Cash and cash equivalents	\$ 2,456,733	\$ 2,277,041
Investments, at fair value	27,666,700	21,192,563
Accounts receivable, net	1,077,578	715,936
Contributions receivable – current, net	1,433,257	1,134,331
Prepaid expenses, deposits and other	149,823	105,646
Total current assets	32,784,091	25,425,517
Contributions receivable – long-term, net	1,395,367	9,326
Property and equipment, at cost, net	175,927	91,380
Security deposits	108,614	47,946
Total assets	\$ 34,463,999	\$ 25,574,169

Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 1,774,408	\$ 1,505,884
Deferred revenue	1,117,556	854,645
Refundable advance	-	345,948
Total liabilities	2,891,964	2,706,477
Net assets		
Without donor restrictions		
Operating	643,533	627,082
Board-designated endowment fund	22,943,281	16,949,375
Total net assets without donor restrictions	23,586,814	17,576,457
With donor restrictions		
Temporary donor restrictions		
Programs	4,346,031	2,225,239
Endowment fund	1,599,561	1,181,637
Total net assets temporary donor restrictions	5,945,592	3,406,876
Perpetual donor restrictions – endowment fund	2,039,629	1,884,359
Total net assets	31,572,035	22,867,692
Total liabilities and net assets	\$ 34,463,999	\$ 25,574,169

See notes to financial statements.

PROSPECT PARK ALLIANCE, INC.
Statement of Activities Year Ended June 30,
2021
(with Summarized Comparative Information for the Year Ended June 30, 2020)

	2021						2020		
	Without Donor Restrictions			With Donor restrictions					
	Operating	Endowment	Total	Temporary Donor Restrictions	Perpetual Donor Restrictions	Total	Total	Total	
Support and revenue									
Support									
Individuals	\$ 2,921,806	\$ -	\$ 2,921,806	\$ 2,371,097	\$ -	\$ 2,371,097	\$ 155,270	\$ 5,448,173	\$ 2,437,758
Corporations	64,125	-	64,125	310,000	-	310,000	-	374,125	341,566
Foundations	325,000	-	325,000	643,090	-	643,090	-	968,090	1,178,140
Government	494,151	-	494,151	1,823,090	-	1,823,090	-	2,317,241	2,382,646
Fundraising events – net of direct costs	438,807	-	438,807	56,250	-	56,250	-	495,057	624,010
Net assets released from restrictions and transfers	1,299,524	2,101,515	3,401,039	(3,082,735)	(318,304)	(3,401,039)	-	-	-
Total support	<u>5,543,413</u>	<u>2,101,515</u>	<u>7,644,928</u>	<u>2,120,792</u>	<u>(318,304)</u>	<u>1,802,488</u>	<u>155,270</u>	<u>9,602,686</u>	<u>6,964,120</u>
Revenue									
Design and construction contracts	1,256,884	-	1,256,884	-	-	-	-	1,256,884	1,031,558
Sales, rentals and fees	3,351,903	-	3,351,903	-	-	-	-	3,351,903	3,287,476
Interest and dividends	182	498,807	498,989	-	94,123	94,123	-	593,112	446,793
Net realized and unrealized gain	971	3,393,584	3,394,555	-	642,105	642,105	-	4,036,660	1,007,086
Other	3,201	-	3,201	-	-	-	-	3,201	15,493
Total revenue	<u>4,613,141</u>	<u>3,892,391</u>	<u>8,505,532</u>	<u>-</u>	<u>736,228</u>	<u>736,228</u>	<u>-</u>	<u>9,241,760</u>	<u>5,788,406</u>
Total support and revenue	<u>10,156,554</u>	<u>5,993,906</u>	<u>16,150,460</u>	<u>2,120,792</u>	<u>417,924</u>	<u>2,538,716</u>	<u>155,270</u>	<u>18,844,446</u>	<u>12,752,526</u>
Expenses									
Program services									
Field operations and woodlands	1,897,019	-	1,897,019	-	-	-	-	1,897,019	2,278,913
Public and educational programs	866,568	-	866,568	-	-	-	-	866,568	1,314,804
Visitor services and events	3,273,491	-	3,273,491	-	-	-	-	3,273,491	3,333,240
Design and construction	1,652,704	-	1,652,704	-	-	-	-	1,652,704	2,338,470
Total program services	<u>7,689,782</u>	<u>-</u>	<u>7,689,782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,689,782</u>	<u>9,265,427</u>
Supporting activities									
General and administrative	1,364,338	-	1,364,338	-	-	-	-	1,364,338	1,368,314
Fundraising	1,085,983	-	1,085,983	-	-	-	-	1,085,983	1,206,359
Total supporting activities	<u>2,450,321</u>	<u>-</u>	<u>2,450,321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,450,321</u>	<u>2,574,673</u>
Total expenses	<u>10,140,103</u>	<u>-</u>	<u>10,140,103</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,140,103</u>	<u>11,840,100</u>
Increase in net assets	16,451	5,993,906	6,010,357	2,120,792	417,924	2,538,716	155,270	8,704,343	912,426
Net assets, beginning of year	627,082	16,949,375	17,576,457	2,225,239	1,181,637	3,406,876	1,884,359	22,867,692	21,955,266
Net assets, end of year	\$ 643,533	\$ 22,943,281	\$ 23,586,814	\$ 4,346,031	\$ 1,599,561	\$ 5,945,592	\$ 2,039,629	\$ 31,572,035	\$ 22,867,692

See notes to financial statements.

PROSPECT PARK ALLIANCE, INC.
Statement of Functional Expenses Year
Ended June 30, 2021
(with Summarized Comparative Information for the Year Ended June 30, 2020)

	2021								2020	
	Program Services				Supporting Activities				Total	Total
	Field Operations and Woodlands	Public and Educational Programs	Visitor Services and Events	Design and Construction	Total Program Services	General and Administrative	Direct Cost of Special Events	Fundraising		
Salaries and wages	\$ 1,262,882	\$ 610,730	\$ 1,156,722	\$ 864,954	\$ 3,895,288	\$ 762,098	\$ -	\$ 563,503	\$ 5,220,889	\$ 5,933,457
Payroll taxes and fringe benefits	309,376	151,699	270,302	212,014	943,391	184,371	-	143,770	1,271,532	1,386,490
Professional fees	84,349	23,583	658,768	317,883	1,084,583	238,945	39,666	158,403	1,521,597	1,741,489
Construction	-	-	-	51,437	51,437	-	-	-	51,437	600,243
Cost of goods sold	-	-	31,157	-	31,157	-	-	-	31,157	41,885
Supplies and equipment	156,587	54,949	81,578	180,704	473,818	45,979	150	107,508	627,455	996,996
Printing and postage	230	4,315	874	274	5,693	42	684	41,826	48,245	75,302
Fees and interest	245	570	407,629	210	408,654	6,432	-	55,458	470,544	429,985
Insurance	-	4,632	195,534	24,258	224,424	71,964	-	-	296,388	292,228
Facilities costs	40,864	8,100	452,586	333	501,883	22,067	-	-	523,950	404,274
Other costs	1,352	3,951	15,439	564	21,306	30,233	5,619	15,221	72,379	267,005
Depreciation	41,134	4,039	2,902	73	48,148	2,207	-	294	50,649	64,798
Total expenses	1,897,019	866,568	3,273,491	1,652,704	7,689,782	1,364,338	46,119	1,085,983	10,186,222	12,234,152
Less: expenses deducted directly on the statement of activities	-	-	-	-	-	-	(46,119)	-	(46,119)	(394,052)
Total expenses reported by function on the statement of activities	\$ 1,897,019	\$ 866,568	\$ 3,273,491	\$ 1,652,704	\$ 7,689,782	\$ 1,364,338	\$ -	\$ 1,085,983	\$ 10,140,103	\$11,840,100

See notes to financial statements.

PROSPECT PARK ALLIANCE, INC.

Statement of Cash Flows

	Year Ended	
	June 30	
	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Increase in net assets	\$ 8,704,343	\$ 912,426
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Contributions restricted to permanent endowment	(155,270)	(12,500)
Depreciation	50,649	64,798
Net realized and unrealized (gain) on investments	(4,036,660)	(1,007,086)
Donated securities	(558,186)	(248,215)
Proceeds from sale of donated securities	559,340	245,642
(Increase) decrease in assets		
Accounts receivable, net	(361,642)	762,071
Contributions receivable, net	(1,684,967)	(340,245)
Prepaid expenses, deposits and other	(44,177)	73,399
Security deposits	(60,668)	78
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	268,524	157,602
Deferred revenue	262,911	73,615
Refundable advance	(345,948)	345,948
Net cash provided by operating activities	<u>2,598,249</u>	<u>1,027,533</u>
Cash flows from investing activities		
Purchase of property and equipment	(135,196)	(9,570)
Purchases of investments	(655,420)	(449,364)
Proceeds from sale of investments	686,830	654,918
Net change in cash equivalents	<u>(2,470,041)</u>	<u>(171,250)</u>
Net cash provided by (used in) investing activities	<u>(2,573,827)</u>	<u>24,734</u>
Cash flows from financing activities		
Contributions restricted to permanent endowment	<u>155,270</u>	<u>12,500</u>
Net increase in cash and cash equivalents	179,692	1,064,767
Cash and cash equivalents, beginning of year	<u>2,277,041</u>	<u>1,212,274</u>
Cash and cash equivalents, end of year	<u>\$2,456,733</u>	<u>\$2,277,041</u>

See notes to financial statements.

PROSPECT PARK ALLIANCE, INC.**Notes to Financial Statements****June 30, 2021****Note 1 – Nature of organization**

In partnership with the City of New York and the community, Prospect Park Alliance, Inc. (the “Alliance”) restores, develops and operates Prospect Park for the enjoyment of all by caring for the natural environment, preserving historic design and serving the public through facilities and programs. On June 27, 2017, the Alliance entered into an agreement for the operation and management of Prospect Park with the New York City Department of Parks and Recreation for a ten year term which may be renewed for two additional five year terms. The Alliance relies on support from individuals, corporations, foundations and government to deliver the following:

- Field operations and woodlands – Maintaining and conserving Prospect Park’s 585 acres of natural and designed landscape, particularly its 100 acres of woodlands.
- Public and educational programs – Delivering programs, activities, outreach and exhibits that enhance the public’s enjoyment of Prospect Park and increase understanding of the park as a designed landscape and a natural environment.
- Visitor services and events – Serving visitors to Prospect Park through recreational attractions, such as the Carousel, Boathouse, Tennis Center and the LeFrak Center. Additionally, the Alliance partners with the City of New York to oversee permitted events throughout the year.
- Design and construction – Designing and supervising the construction of restoration and improvement projects in Prospect Park.

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

Net assets without donor restrictions consist of amounts that can be spent at the discretion of the Alliance. Net assets with temporary donor restrictions consist of contributions that are restricted by the donor for a specific purpose or pertain to future periods. Net assets with perpetual donor restrictions consist of contributions that are restricted by the donor in that the principal must remain in perpetuity but that the investment return earned on such funds may be spent in accordance with the donor’s terms.

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.

PROSPECT PARK ALLIANCE, INC.
Notes to Financial Statements (continued)
June 30, 2021

Note 2 – Summary of significant accounting policies (continued)

Investments

The fair value of the investments is based on publicly quoted market prices. Interest, dividends, net realized and unrealized gains and losses on investments are allocated between net assets without donor restrictions and net assets with temporary donor restrictions.

Fair value measurements

For assets measured at fair value on a recurring basis as of June 30, 2021, accounting principles generally accepted in the United States of America require quantitative disclosures about the fair value measurements separately for each major class of assets. The Alliance's investments have all been classified in the highest level of the hierarchy (Level 1). Their quoted prices are in active markets for identical assets.

Allowance for doubtful accounts

As of June 30, 2021, the Alliance has an allowance for doubtful accounts of approximately \$17,000 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.

Collections of historical interest

The Alliance maintains collections of historic reference materials and 18th and 19th 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 donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor stipulation expires, net assets with temporary donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Donated securities are recorded at the fair value on the date of donation.

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.

PROSPECT PARK ALLIANCE, INC.
Notes to Financial Statements (continued)
June 30, 2021

Note 2 – Summary of significant accounting policies (continued)

In-kind goods and services

The Alliance receives in-kind goods and services that are an integral part of its activities 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 in-kind goods and services totaled \$494,151 for the 2021 fiscal year.

Board members and other individuals volunteer their time and perform a variety of tasks that assist the Alliance in carrying out its programs. These services do not meet the criteria to be recorded and have not been included in the financial statements.

Functional expenses

The costs of providing the various programs and other activities have been summarized on a functional and natural basis. Accordingly, certain costs have been allocated between the program services and supporting activities benefited. Those costs include depreciation, the President's office, personnel expenses for two Vice Presidents, and the marketing department. Depreciation is allocated to programs based on asset utilization; the President's office is allocated based on time spent; personnel expenses for two Vice Presidents are allocated between departments supervised; the costs of the marketing department are allocated to programs and activities based on the time spent and on which functional area the expenses relate to.

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.

Concentrations of credit risk

The Alliance's financial instruments that are potentially exposed to concentrations 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 were in excess of the FDIC insurance limit. However, the Alliance has not experienced any losses in these accounts to date. Investments are exposed to various risks such as interest rate, market volatility, liquidity and credit. Due to the level of uncertainty related to the foregoing risks, it is reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statement of financial position at June 30, 2021. 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.

PROSPECT PARK ALLIANCE, INC.
Notes to Financial Statements (continued)
June 30, 2021

Note 2 – Summary of significant accounting policies (continued)

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, 2020 from which the summarized information was derived.

Subsequent events

The Alliance has evaluated events and transactions for potential recognition or disclosure through January 19, 2022, which is the date the financial statements were available to be issued.

Note 3– Liquidity and availability of financial assets

The Alliance's cash flows are subject to seasonal fluctuations due to the timing of collection of contributions and other revenue.

As of June 30, 2021, financial assets available within one year of the statement of financial position date for general expenditures were as follows:

Cash and cash equivalents	\$ 2,456,733
Investments	27,666,700
Accounts receivable, net	1,077,578
Contributions receivable, net	<u>1,433,257</u>
Sub-total	32,634,268
Less: Net assets with perpetual donor restrictions	<u>(2,039,629)</u>
Total	<u>\$ 30,594,639</u>

Note 4 – Investments

The following is a summary of the investments held by the Alliance as of June 30, 2021:

	<u>Fair Value</u>
Cash and cash equivalents	\$ 4,798,315
Balanced Index Mutual Fund	<u>22,868,385</u>
Total	<u>\$ 27,666,700</u>

PROSPECT PARK ALLIANCE, INC.
Notes to Financial Statements (continued)
June 30, 2021

Note 5 – 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:

	Amount
Due within 1 year	\$ 1,455,884
Due within 1 to 5 years	1,550,000
Sub-total	3,005,884
Less amount to reduce contributions receivable to their present value (discount rate – 3.55%)	(177,260)
Total	\$ 2,828,624

Note 6 – Property and equipment

The Alliance capitalizes property and equipment items above \$1,000 and with a useful life greater than one year. 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 support with temporary donor restrictions. Such contributions are reclassified to net assets without donor restrictions when they are utilized to acquire property and equipment and those assets are placed into service.

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 such costs are incurred. All design and construction costs are also expensed in the year they are incurred except where a property is licensed to the Alliance by the City of New York under terms of an agreement.

A summary of the property and equipment and the accumulated depreciation as of June 30, 2021 is as follows:

	Cost	Accumulated Depreciation	Net Book Value
Tennis Center	\$ 3,839,392	\$ 3,728,892	\$ 110,500
Furniture, fixtures and equipment	1,462,157	1,396,730	65,427
Total	\$ 5,301,549	\$ 5,125,622	\$ 175,927

During the 2021 fiscal year, fully depreciated assets totaling \$77,097, were removed from the accounts of the Alliance.

PROSPECT PARK ALLIANCE, INC.
Notes to Financial Statements (continued)
June 30, 2021

Note 7 – Line of credit

The Alliance has a revolving line of credit agreement with JP Morgan Chase Bank which provides for a principal amount of \$500,000, an interest rate of 1% per annum above the prime rate and is secured by a security interest on all business assets. As of June 30, 2021, no amounts were outstanding under the line of credit.

Note 8 – Refundable advance

On May 1, 2020, the Alliance was granted a loan from JPMorgan Chase, in the aggregate amount of \$1,266,523, pursuant to the Paycheck Protection Program (PPP). The Alliance recorded the loan proceeds as a refundable advance and recognized as support \$920,575 and \$345,948 of matching eligible expenses incurred and paid during fiscal year 2020 and 2021, respectively. The Alliance used the proceeds for purposes consistent with the PPP and on September 10, 2021 received 100% forgiveness.

The Alliance was granted a second PPP loan on January 31, 2021 from JPMorgan Chase Bank in the aggregate amount of \$1,266,523. The Alliance recorded the proceeds as a refundable advance and recognized as support \$1,266,523 of matching eligible expenses incurred and paid during fiscal year 2021. The Alliance is in the process of applying for forgiveness and believes its use of the loan proceeds will meet the conditions for 100% forgiveness.

Note 9 – Permit and licensing fees

The Alliance has a licensing agreement with the City of New York to operate a year-round tennis facility at the Parade Ground. The agreement requires minimum annual payments as outlined in the agreement and terminates on October 2035, after which the Alliance and the City of New York may agree to renew the licensing agreement for up to three additional one-year terms. It is the Alliance's intention to request such extensions.

The Alliance has a licensing agreement with the City of New York to operate the Park's historic Carousel. The agreement requires an annual payment as outlined in the agreement and is up for renewal on July 17, 2025.

The Alliance has a permit from the City of New York for the management and operation of a café at the Picnic House. The permit commenced in August 2013 and is up for renewal on July 17, 2025.

In January 2014, the Alliance entered into a licensing agreement with the City of New York for the operation and maintenance of the LeFrak Center at Lakeside (the "LeFrak Center") in Prospect Park. The agreement is up for renewal on July 17, 2025. As provided under this agreement, the Alliance has entered into a sublicense agreement with an independent contractor for the operation and maintenance of the LeFrak Center. The 15-year sublicense agreement provides for certain financial conditions and fees payable to the Alliance. The revenue and expenses from the operation and maintenance, including all related taxes, are reflected separately in the books and records of the independent contractor, and not those of the Alliance.

PROSPECT PARK ALLIANCE, INC.
Notes to Financial Statements (continued)
June 30, 2021

Note 9 – Permit and licensing fees (continued)

The Alliance has a licensing agreement (referred to as a “Concessions Agreement”) with the City of New York to operate various food concessions, special events, short-term facility agreements and catering services in Prospect Park. The agreement requires no minimum annual payments as outlined in the agreement and will be up for renewal on June 27, 2027.

All agreements are terminable at will by the Commissioner of the Department of Parks and Recreation of the City of New York. Fees payable to the City of New York under these permits and agreements totaled \$321,320 during the 2021 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. Minimum annual fee payments required under these agreements for future years as of June 30, 2021 are as follows:

<u>Fiscal year</u>	<u>Amount</u>
2022	\$ 387,083
2023	393,658
2024	400,354
2025	407,173
2026	414,117
2027 and thereafter	<u>3,329,413</u>
Total	<u>\$ 5,331,798</u>

Note 10 – Net assets with temporary donor restrictions

The following is a summary of the activity of the net assets with temporary donor restrictions for the year ended June 30, 2021:

	<u>Balance June 30, 2020</u>	<u>Support</u>	<u>Net Investment Activity</u>	<u>Net Assets Released from Restrictions</u>	<u>Balance June 30, 2021</u>
Programs					
Field operations and woodlands	\$ -	\$ 461,765	\$ -	\$ (386,765)	\$ 75,000
Public and educational programs	261,304	172,847	-	(345,847)	88,304
Visitor services	856,619	45,711	-	(12,000)	890,330
Design and construction	41,242	154,272	-	(150,138)	45,376
Lakeside Campaign	353,074	-	-	-	353,074
Prospect Park Campaign	100,000	2,428,083	-	-	2,528,083
Time restrictions	530,501	298,377	-	(474,764)	354,114
Supporting services	<u>82,499</u>	<u>1,642,472</u>	-	<u>(1,713,221)</u>	<u>11,750</u>
Total programs	2,225,239	5,203,527	-	(3,082,735)	4,346,031
Endowment					
Unspent investment return earned on perpetual donor restricted endowment fund	<u>1,181,637</u>	<u>-</u>	<u>736,228</u>	<u>(318,304)</u>	<u>1,599,561</u>
Total	<u>\$ 3,406,876</u>	<u>\$ 5,203,527</u>	<u>\$ 736,228</u>	<u>\$ (3,401,039)</u>	<u>\$ 5,945,592</u>

PROSPECT PARK ALLIANCE, INC.
Notes to Financial Statements (continued)
June 30, 2021

Note 11 – Endowments

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

The Alliance has a policy of transferring the investment income generated from its funds with perpetual donor restrictions to funds with temporary donor restrictions and has adopted a spending policy where income may be appropriated from the restricted and board designated endowment funds to meet the expenditure needs of the Alliance. The annual appropriation is determined using a 20 quarter trailing average asset value of the Funds and the Alliance's Board approved an appropriation of 4.5% of this average asset value for the year ended June 30, 2021. During the 2021 fiscal year, the Alliance transferred approximately \$2.5 million from the operating fund to the Board-designated endowment fund representing fiscal 2021 surpluses. Such amount is included in the net assets released/transferred net total of \$2,101,515 below.

The following is a summary of the activity of the Alliance's endowment funds for the year ended June 30, 2021:

<u>Program/Purpose</u>	<u>Balance June 30, 2020</u>	<u>Support and Net Investment Return</u>	<u>Net Assets Released/ Transferred</u>	<u>Balance June 30, 2021</u>
Without donor restrictions – Board-designated	\$ 16,949,375	\$ 3,892,391	\$ 2,101,515	\$ 22,943,281
<u>Temporary donor restrictions</u>				
Woodlands Fund	\$ 662,796	343,109	(215,564)	790,341
Parade Ground Fund	217,411	154,108	(96,820)	274,699
Tennis Scholarship Fund	9,125	9,422	(5,920)	12,627
Board designated – time restricted	270,432	190,768	-	461,200
Arboriculture Fund	<u>21,873</u>	<u>38,821</u>	<u>-</u>	<u>60,694</u>
Total	<u>\$ 1,181,637</u>	<u>\$ 736,228</u>	<u>\$ (318,304)</u>	<u>\$ 1,599,561</u>
<u>Perpetual donor restrictions</u>				
Woodlands Fund	\$ 780,000	\$ -	\$ -	\$ 780,000
Parade Ground Fund	430,623	-	-	430,623
Tennis Scholarship Fund	30,495	-	-	30,495
The LeFrak Center Maintenance Fund	500,000	-	-	500,000
Arboriculture Fund	<u>143,241</u>	<u>155,270</u>	<u>-</u>	<u>298,511</u>
Total	<u>\$ 1,884,359</u>	<u>\$ 155,270</u>	<u>\$ -</u>	<u>\$ 2,039,629</u>
Total Endowment Funds	<u>\$ 20,015,371</u>	<u>\$ 4,783,889</u>	<u>\$ 1,783,211</u>	<u>\$ 26,582,471</u>

PROSPECT PARK ALLIANCE, INC.
Notes to Financial Statements (continued)
June 30, 2021

Note 12 – 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 contributes an amount equal to 2% of each eligible employee's compensation to the plan. Contributions totaled \$72,657 during the 2021 fiscal year.

Note 13 – 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 Law Department that it will defend the Alliance and pay on its behalf any judgment arising out of the proceedings.

Note 14 – 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.