

**PROSPECT PARK ALLIANCE, INC.**

**Financial Statements  
for the year ended  
June 30, 2023**

**(with summarized comparative  
information for 2022)**

## **Independent Auditor's Report**

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

### ***Opinion***

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, 2023 and the related statements of activities, functional expenses and cash flows for the year 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 the Alliance as of June 30, 2023 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.

### ***Basis for Opinion***

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

### ***Change in Accounting Principle***

As discussed in Note 2 to the financial statements, the Alliance has changed its method of accounting for operating leases as of July 1, 2022 due to the adoption of ASU 2016-02, Leases (Topic 842). Our opinion is not modified with respect to that matter.

### ***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 the Alliance's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's 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 auditor's 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 the Alliance'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the Alliance'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.

### ***Report on Summarized Comparative Information***

We have previously audited the Alliance's 2022 fiscal year financial statements, and our report dated December 14, 2022 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, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Carole D'Amico, CPA, CA, CMA, CFP, CFP®*  
*Ernst & Young LLP*

November 3, 2023

**PROSPECT PARK ALLIANCE, INC.**

**Statement of Financial Position**

**Assets**

	<b>June 30</b>	
	<b>2023</b>	<b>2022</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,456,831	\$ 6,801,915
Investments, at fair value	32,664,670	25,996,440
Accounts receivable, net	1,336,233	1,159,824
Contributions receivable -- current, net	2,228,754	2,447,076
Prepaid expenses, deposits and other	407,538	260,338
Total current assets	38,094,026	36,665,593
<b>Contributions receivable – long-term, net</b>	2,106,137	3,203,029
<b>Right-of-use asset, operating lease</b>	42,312	-
<b>Property and equipment, at cost, net</b>	566,682	319,114
<b>Security deposits</b>	121,788	128,509
<b>Total assets</b>	<b>\$ 40,930,945</b>	<b>\$ 40,316,245</b>

**Liabilities and Net Assets**

<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 1,489,196	\$ 2,031,771
Deferred revenue	1,326,708	1,030,770
Current portion of operating lease	19,278	-
Total current liabilities	2,835,182	3,062,541
Operating lease, net of current portion	23,034	-
Total liabilities	2,858,216	3,062,541
<b>Net assets</b>		
Without donor restrictions		
Operating	663,770	656,173
Board-designated endowment fund	22,856,818	22,442,119
Total net assets without donor restrictions	23,520,588	23,098,292
With donor restrictions		
Temporary donor restrictions		
Programs	12,067,594	11,810,784
Endowment fund	650,764	510,845
Total net assets temporary donor restrictions	12,718,358	12,321,629
Perpetual donor restrictions – endowment fund	1,833,783	1,833,783
Total net assets	38,072,729	37,253,704
<b>Total liabilities and net assets</b>	<b>\$ 40,930,945</b>	<b>\$ 40,316,245</b>

See notes to financial statements.

PROSPECT PARK ALLIANCE, INC.

Statement of Activities

Year Ended June 30, 2023

(with Summarized Comparative Information for the Year Ended June 30, 2022)

	2023										2022									
	Without Donor Restrictions					With Donor restrictions					Without Donor Restrictions					With Donor restrictions				
	Operating	Employment	Total	Programs	Endowment	Total	Employment	Restrictions	Total	Perpetual Donor	Operating	Employment	Total	Programs	Endowment	Total	Employment	Restrictions	Total	
<b>Support and revenue</b>																				
Support																				
Individuals	\$ 2,521,569	\$ 10,000	\$ 2,531,569	\$ 734,990	\$ -	\$ 734,990	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,429,632
Corporations	422,770	-	422,770	376,445	-	376,445	-	-	-	-	-	-	-	-	-	-	-	-	-	663,381
Foundations	347,583	-	347,583	772,439	-	772,439	-	-	-	-	-	-	-	-	-	-	-	-	-	581,419
Government	-	-	-	148,359	-	148,359	-	-	-	-	-	-	-	-	-	-	-	-	-	353,713
Government – in kind goods and services	403,175	-	403,175	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	448,589
Fundraising events – net of direct costs	378,195	-	378,195	72,500	-	72,500	-	-	-	-	-	-	-	-	-	-	-	-	-	444,373
Net assets released from restrictions and designations	3,498,438	(1,555,210)	1,943,228	(1,847,923)	(95,305)	(1,943,228)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total support	7,571,730	(1,545,210)	6,026,520	256,810	(95,305)	161,505	-	-	-	-	-	-	-	-	-	-	-	-	-	13,921,107
Revenue																				
Design and construction contracts	1,161,477	-	1,161,477	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	711,179
Sales, rentals and fees	6,377,129	-	6,377,129	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,991,418
Interest and dividends	14,920	645,359	660,279	-	63,758	63,758	-	-	-	-	-	-	-	-	-	-	-	-	-	771,577
Net realized and unrealized gain (loss)	(529)	1,314,550	1,314,021	-	171,466	171,466	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,577,538)
Other	44,404	-	44,404	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	7,597,401	1,959,909	9,557,310	-	235,224	235,224	-	-	-	-	-	-	-	-	-	-	-	-	-	3,896,636
Total support and revenue	15,169,131	414,699	15,583,830	256,810	139,919	396,729	-	-	-	-	-	-	-	-	-	-	-	-	-	17,817,743
<b>Expenses</b>																				
Program services																				
Field operations and woodlands	2,768,208	-	2,768,208	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,149,874
Public and educational programs	1,257,643	-	1,257,643	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,062,165
Visitor services and events	5,221,773	-	5,221,773	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,283,936
Design and construction	2,099,671	-	2,099,671	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,527,552
Total program services	11,347,295	-	11,347,295	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,093,522
Supporting activities																				
General and administrative	2,178,328	-	2,178,328	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,500,843
Fundraising	1,635,911	-	1,635,911	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,541,704
Total supporting activities	3,814,239	-	3,814,239	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,042,547
Total expenses	15,161,534	-	15,161,534	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,136,074
Increase in net assets	7,597	414,699	422,296	256,810	139,919	396,729	-	-	-	-	-	-	-	-	-	-	-	-	-	5,681,669
Net assets, beginning of year	656,173	22,442,119	23,098,292	11,810,784	510,845	12,321,629	1,833,783	37,253,704												
Net assets, end of year	\$ 663,770	\$ 22,856,818	\$ 23,520,588	\$ 12,067,594	\$ 650,764	\$ 12,718,358	\$ 1,833,783	\$ 38,072,729												

See notes to financial statements.

PROSPECT PARK ALLIANCE, INC.

Statement of Functional Expenses

Year Ended June 30, 2023

(with Summarized Comparative Information for the Year Ended June 30, 2022)

Field	2023						2022									
	Program Services			Supporting Activities			Program Services			Supporting Activities						
	Public and Educational Programs	Visitor Services and Events	Design and Construction	Total Program Services	General and Administrative	Direct Cost of Special Events	Fundraising	Total	Public and Educational Programs	Visitor Services and Events	Design and Construction	Total Program Services	General and Administrative	Direct Cost of Special Events	Fundraising	Total
Salaries and wages	\$ 1,563,922	\$ 1,848,052	\$ 933,381	\$ 5,183,927	\$ 903,014	\$ 6,518	\$ 716,349	\$ 6,809,808	\$ 5,892,650							
Payroll taxes and fringe benefits	341,040	378,178	221,132	1,109,902	218,960	517	162,509	1,491,888	1,336,346							
Professional fees	350,571	966,992	362,199	1,812,570	306,675	501,186	466,163	3,086,594	2,363,038							
Construction	119,386	-	528,625	648,011	-	-	-	648,011	191,587							
Cost of goods sold	-	49,571	-	49,571	-	-	-	49,571	54,304							
Supplies and equipment	294,083	248,737	34,779	646,540	101,964	23,440	112,540	884,484	718,550							
Printing and postage	1,440	1,786	453	8,977	371	2,971	89,585	101,904	104,225							
Fees and interest	1,647	529,410	5	531,238	9,955	730	49,908	591,831	563,635							
Insurance	-	276,551	15,657	297,949	114,430	-	-	412,379	320,728							
Facilities costs	48,091	847,207	381	907,207	19,194	-	-	926,401	815,870							
Other costs	3,193	62,092	3,034	90,010	252,300	114,808	38,759	495,877	387,617							
Depreciation	44,835	13,197	25	61,393	8,465	-	98	69,956	43,728							
Loss on write-off of property and equipment	-	-	-	-	243,000	-	-	243,000	-							
Total expenses	2,768,208	5,221,773	2,099,671	11,347,295	2,178,328	650,170	1,635,911	15,811,704	12,792,298							
Less: expenses deducted directly on the statement of activities	-	-	-	-	-	(650,170)	-	(650,170)	(656,224)							
<b>Total expenses reported by function on the statement of activities</b>	<b>\$ 2,768,208</b>	<b>\$ 5,221,773</b>	<b>\$ 2,099,671</b>	<b>\$ 11,347,295</b>	<b>\$ 2,178,328</b>	<b>\$ -</b>	<b>\$ 1,635,911</b>	<b>\$ 15,161,534</b>	<b>\$ 12,136,074</b>							

See notes to financial statements.

## PROSPECT PARK ALLIANCE, INC.

## Statement of Cash Flows

	Year Ended	
	June 30	
	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 819,025	\$5,681,669
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Contributions restricted to permanent endowment	-	(30,272)
Depreciation	69,956	43,728
Loss on write-off of property and equipment	243,000	-
Net realized and unrealized (gain) loss on investments	(1,485,487)	3,577,538
Donated securities	(548,062)	(649,712)
Proceeds from sale of donated securities	547,535	641,905
(Increase) decrease in assets		
Accounts receivable, net	(176,409)	(82,246)
Contributions receivable, net	1,315,214	(2,821,481)
Prepaid expenses, deposits and other	(147,200)	(110,515)
Security deposits	6,721	(19,895)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(542,575)	257,363
Deferred revenue	295,938	(86,786)
Net cash provided by operating activities	<u>397,656</u>	<u>6,401,296</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(560,524)	(186,915)
Purchase of certificates of deposit	(12,171,200)	-
Redemption of certificate of deposit	600,000	-
Purchases of investments	(1,062,838)	(927,311)
Proceeds from sale of investments	923,507	757,840
Net change in cash and equivalents	<u>6,528,315</u>	<u>(1,730,000)</u>
Net cash (used in) investing activities	<u>(5,742,740)</u>	<u>(2,086,386)</u>
<b>Cash flows from financing activities</b>		
Contributions restricted to permanent endowment	-	30,272
Net increase (decrease) in cash and cash equivalents	<u>(5,345,084)</u>	<u>4,345,182</u>
Cash and cash equivalents, beginning of year	<u>6,801,915</u>	<u>2,456,733</u>
Cash and cash equivalents, end of year	<u>\$1,456,831</u>	<u>\$6,801,915</u>

See notes to financial statements.

**PROSPECT PARK ALLIANCE, INC.****Notes to Financial Statements****June 30, 2023****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, 2023**

**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, 2023, 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, 2023, the Alliance has an allowance for doubtful accounts of approximately \$117,000 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 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 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.

Sales, rentals and fees

Sales, rentals and fees revenues are recognized when services are performed. Certain sales, rentals and fees revenues are recognized over the term of the service and the unearned portion is reflected as deferred revenue.

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, 2023**

**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 consisting of salaries and related expenses of \$355,968, supplies of \$17,207 and equipment rental of \$30,000 totaled \$403,175 for the 2023 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, 2023. 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, 2023**

**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, 2022 from which the summarized information was derived.

New accounting standard

Effective July 1, 2022, the Alliance adopted FASB ASC 842, *Leases*. The new standard establishes a right of use ("ROU") model that requires a lessee to record a ROU asset, which represents the right to use a respective asset for the lease term, and a lease liability on the statement of financial position at the present value of the remaining future payments due under the lease. In connection with the adoption of FASB ASC 842, the Alliance has recognized a ROU asset and operating lease liability of \$58,219 as of July 1, 2022. The Alliance has elected to use a risk-free rate to discount its office lease to its net present value. The Alliance has elected not to record leases with a term of 12 months or less on the statement of financial position.

Subsequent events

The Alliance has evaluated events and transactions for potential recognition or disclosure through November 3, 2023, 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, 2023, financial assets available within one year of the statement of financial position date for general expenditures were as follows:

Cash and cash equivalents	\$ 1,456,831
Investments	32,664,670
Accounts receivable, net	1,336,233
Contributions receivable, net	<u>2,228,754</u>
Sub-total	37,686,488
Less: Net assets with perpetual donor restrictions	<u>(1,833,783)</u>
Total	<u>\$ 35,852,705</u>

**PROSPECT PARK ALLIANCE, INC.**  
**Notes to Financial Statements (continued)**  
**June 30, 2023**

**Note 4 – Investments**

The following is a summary of the investments held by the Alliance as of June 30, 2023:

	<b>Fair Value</b>
Certificates of deposit	\$ 11,571,200
Balanced Index Mutual Fund	<u>21,093,470</u>
Total	<u>\$ 32,664,670</u>
Consists of:	
Endowment funds	\$ 25,341,365
Operating and programs	<u>7,323,305</u>
Total	<u>\$ 32,664,670</u>

**Note 5 – Contributions receivable, net**

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:

	<b>Amount</b>
Due within 1 year, net	\$ 2,274,158
Due within 1 to 5 years	<u>2,291,420</u>
Sub-total	4,565,578
Less amount to reduce contributions receivable to their present value (discount rate – 3.55%)	<u>(230,687)</u>
Total	<u>\$ 4,334,891</u>

**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.

**PROSPECT PARK ALLIANCE, INC.**

**Notes to Financial Statements (continued)**  
**June 30, 2023**

**Note 6 – Property and equipment (continued)**

A summary of the property and equipment and the accumulated depreciation as of June 30, 2023 is as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Tennis Center	\$ 3,728,892	\$ 3,728,892	\$ -
Furniture, fixtures and equipment	1,534,740	1,290,012	244,728
Construction in progress	321,954	-	321,954
Total	<u>\$ 5,585,586</u>	<u>\$ 5,018,904</u>	<u>\$ 566,682</u>

During the 2023 fiscal year, fully depreciated property and equipment totaling \$220,402 were removed from the accounts of the Alliance. In addition, during the 2023 fiscal year, the Alliance identified assets within construction in progress that were no longer going to be used totaling \$243,000. These assets were removed from the accounts of the Alliance.

**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, 2023, no amounts were outstanding under the line of credit.

**Note 8 – 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, 2023**

**Note 8 – 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 \$388,232 during the 2023 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, 2023 are as follows:

Fiscal year	Amount
2024	\$ 400,354
2025	407,173
2026	414,117
2027	421,189
2028	428,391
2029 and thereafter	3,085,856
Total	\$ 5,157,080

**Note 9 – 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, 2023:

	Balance June 30, 2022	Support	Net Investment Activity	Net Assets Released	Balance June 30, 2023
<b>Programs</b>					
Field operations and woodlands	\$ 67,500	\$ 397,936	\$ -	\$ (405,168)	\$ 60,268
Public and educational Programs	50,804	714,658	-	(465,098)	300,364
Visitor services	894,159	36,032	-	(37,000)	893,191
Design and construction	45,376	-	-	-	45,376
Lakeside Campaign	353,074	-	-	-	353,074
Campaign for Prospect Park*	10,172,370	690,152	-	(759,649)	10,102,873
Time restrictions	227,501	265,955	-	(181,008)	312,448
Total	11,810,784	2,104,733	-	(1,847,923)	12,067,594
<b>Endowment</b>					
Unspent investment return earned on perpetual donor restricted endowment fund	510,845	-	235,224	(95,305)	650,764
Total	\$ 12,321,629	\$ 2,104,733	\$ 235,224	\$ (1,943,228)	\$ 12,718,358

\* In 2020, the Alliance launched the Campaign for Prospect Park with the goal of growing the Alliance's annual operating support, increasing the Alliance's endowment and securing funding for the renovation of the Vale in the Park's northeast corner.

**PROSPECT PARK ALLIANCE, INC.**  
**Notes to Financial Statements (continued)**  
**June 30, 2023**

**Note 10 – 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, 2023. During the 2023 fiscal year, the Alliance transferred \$823,500 from the board-designated endowment fund to the operating fund to cover the 2023 fiscal year deficit. Such amount is included in the net assets released/transferred total of \$(1,555,210) below.

The following is a summary of the activity of the Alliance's endowment funds for the year ended June 30, 2023:

<u>Program/Purpose</u>	<u>Balance June 30, 2022</u>	<u>Support and Net Investment Activity</u>	<u>Net Assets Released</u>	<u>Balance June 30, 2023</u>
Without donor restrictions – board-designated	\$ 22,442,119	\$ 1,969,909	\$ (1,555,210)	\$ 22,856,818
<u>Temporary donor restrictions</u>				
Woodlands Fund	256,357	111,193	(52,956)	314,594
Parade Ground Fund	85,902	33,618	-	119,520
Tennis Scholarship Fund	-	-	-	-
Board designated -- time restricted	141,098	66,777	(32,549)	175,326
Arboriculture Fund	27,488	23,636	(9,800)	41,324
Total	\$ 510,845	\$ 235,224	\$ (95,305)	\$ 650,764
<u>Perpetual donor restrictions</u>				
Woodlands Fund	\$ 810,272	\$ -	\$ -	\$ 810,272
Parade Ground Fund	225,000	-	-	225,000
Campaign for Prospect Park FY21-27	100,319	-	-	100,319
The LeFrak Center Maintenance Fund	500,000	-	-	500,000
Arboriculture Fund	198,192	-	-	198,192
Total	\$ 1,833,783	\$ -	\$ -	\$ 1,833,783
Total Endowment Funds	\$ 24,786,747	\$ 2,205,133	\$ (1,650,515)	\$ 25,341,365

**PROSPECT PARK ALLIANCE, INC.**  
**Notes to Financial Statements (continued)**  
**June 30, 2023**

**Note 11 – 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 \$85,708 during the 2023 fiscal year.

**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 Law 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.