

**PROSPECT PARK ALLIANCE, INC.**

**Financial Statements  
for the year ended  
June 30, 2019  
(with summarized comparative  
information for 2018)**

### **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, 2019 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, 2019 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 2018 fiscal year financial statements, and our report dated October 3, 2018 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Condon O'Meara McCarty & Donnelly LLP*

**PROSPECT PARK ALLIANCE, INC.**

**Statement of Financial Position**

**Assets**

	<b>June 30</b>	
	<b>2019</b>	<b>2018</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,212,274	\$ 752,049
Investments, at fair value	20,217,208	18,822,834
Accounts receivable	1,478,007	1,357,129
Contributions receivable – current, net	728,412	709,406
Prepaid expenses, deposits and other	<u>179,045</u>	<u>193,529</u>
Total current assets	23,814,946	21,834,947
<b>Contributions receivable – long-term, net</b>	75,000	118,692
<b>Property and equipment, at cost, net</b>	146,608	281,531
<b>Security deposits</b>	<u>48,024</u>	<u>38,193</u>
<b>Total assets</b>	<b><u>\$ 24,084,578</u></b>	<b><u>\$ 22,273,363</u></b>

**Liabilities and Net Assets**

<b>Current liabilities</b>		
Bank loan payable – current maturities	\$ -	\$ 61,082
Accounts payable and accrued expenses	1,348,282	1,047,539
Deferred revenue	<u>781,030</u>	<u>685,366</u>
Total liabilities	<u>2,129,312</u>	<u>1,793,987</u>
<b>Net assets</b>		
Without donor restrictions		
Operating	622,961	612,834
Board-designated endowment fund	<u>15,864,759</u>	<u>14,404,780</u>
Total net assets without donor restrictions	<u>16,487,720</u>	<u>15,017,614</u>
With donor restrictions		
Temporary donor restrictions		
Programs	2,353,540	2,362,017
Endowment fund	<u>1,242,147</u>	<u>1,258,627</u>
Total net assets temporary donor restrictions	<u>3,595,687</u>	<u>3,620,644</u>
Perpetual donor restrictions – endowment fund	<u>1,871,859</u>	<u>1,841,118</u>
Total net assets	<u>21,955,266</u>	<u>20,479,376</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 24,084,578</u></b>	<b><u>\$ 22,273,363</u></b>

See notes to financial statements.

**PROSPECT PARK ALLIANCE, INC.**

Statement of Activities  
Year Ended June 30, 2019  
(with Summarized Comparative Information for the Year Ended June 30, 2018)

	2019						2018	
	Without Donor Restrictions			With Donor Restrictions				
	Board-			Perpetual				
	Designated			Donor				
	Endowment			Restrictions				
	Total			Total				
	Operating	Endowment	Total	Programs	Endowment	Total	Total	Total
<b>Support and revenue</b>								
Support								
Individuals	\$ 2,121,211	\$ -	\$ 2,121,211	\$ 58,879	\$ -	\$ 58,879	\$ 2,185,831	\$ 2,364,387
Corporations	223,821	-	223,821	183,269	-	183,269	407,090	411,083
Foundations	221,500	-	221,500	573,298	-	573,298	794,798	564,551
Government	515,458	-	515,458	379,258	-	379,258	894,716	1,097,759
Fundraising events -- net of direct costs	600,218	-	600,218	8,239	-	8,239	608,457	624,323
Net assets released from restrictions and designations	1,235,534	254,317	1,489,851	(1,211,420)	(278,431)	(1,489,851)	-	-
Total support	4,917,742	254,317	5,172,059	(8,477)	(278,431)	(286,908)	4,890,892	5,062,103
<b>Revenue</b>								
Design and construction contracts	1,945,656	-	1,945,656	-	-	-	1,945,656	778,700
Sales, rentals and fees	4,892,717	-	4,892,717	-	-	-	4,892,717	4,795,889
Interest and dividends	-	327,899	327,899	-	71,057	71,057	398,956	356,634
Net realized and unrealized gain	532	902,763	903,295	-	190,894	190,894	1,094,189	1,022,015
Total revenue	6,838,905	1,230,662	8,069,567	-	261,951	261,951	8,331,518	6,953,238
Total support and revenue	11,756,647	1,484,979	13,241,626	(8,477)	(16,480)	(24,957)	13,222,410	12,015,341
<b>Expenses</b>								
Program services								
Field operations and woodlands	2,096,635	-	2,096,635	-	-	-	2,096,635	2,084,466
Public and educational programs	1,314,064	-	1,314,064	-	-	-	1,314,064	1,315,054
Visitor services and events	3,739,633	-	3,739,633	-	-	-	3,739,633	3,931,996
Design and construction	2,341,960	-	2,341,960	-	-	-	2,341,960	1,456,823
Total program services	9,492,292	-	9,492,292	-	-	-	9,492,292	8,788,339
Supporting activities								
General and administrative	1,137,993	-	1,137,993	-	-	-	1,137,993	1,005,153
Fundraising	1,116,235	-	1,116,235	-	-	-	1,116,235	1,069,756
Total supporting activities	2,254,228	-	2,254,228	-	-	-	2,254,228	2,074,909
Total expenses	11,746,520	-	11,746,520	-	-	-	11,746,520	10,863,248
Increase (decrease) in net assets before reclassification	10,127	1,484,979	1,495,106	(8,477)	(16,480)	(24,957)	1,475,890	1,152,093
Reclassification	-	(25,000)	(25,000)	-	-	-	-	-
<b>Increase (decrease) in net assets</b>	<b>10,127</b>	<b>1,459,979</b>	<b>1,470,106</b>	<b>(8,477)</b>	<b>(16,480)</b>	<b>(24,957)</b>	<b>1,475,890</b>	<b>1,152,093</b>
Net assets, beginning of year	612,834	14,404,780	15,017,614	2,362,017	1,258,627	3,620,644	20,479,376	19,327,283
Net assets, end of year	\$ 622,961	\$ 15,864,759	\$ 16,487,720	\$ 2,353,540	\$ 1,242,147	\$ 3,595,687	\$ 21,955,266	\$ 20,479,376

See notes to financial statements.

**Statement of Functional Expenses**  
**Year Ended June 30, 2019**  
**(with Summarized Comparative Information for the Year Ended June 30, 2018)**

Total

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## PROSPECT PARK ALLIANCE, INC.

## Statement of Cash Flows

	Year Ended June 30	
	2019	2018
<b>Cash flows from operating activities</b>		
Increase in net assets	\$1,475,890	\$1,152,093
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Contributions restricted to permanent endowment	(5,741)	(100,000)
Depreciation	139,098	413,169
Net realized and unrealized (gain) on investments	(1,094,189)	(1,022,015)
Donated securities	(177,403)	(121,480)
Proceeds from sale of donated securities	177,936	121,735
(Increase) decrease in assets		
Accounts receivable	(120,878)	(381,416)
Contributions receivable	24,686	103,352
Prepaid expenses, deposits and other	14,484	6,483
Security deposits	(9,831)	(503)
Increase in liabilities		
Accounts payable and accrued expenses	300,743	93,197
Deferred revenue	95,664	159,803
Net cash provided by operating activities	<u>820,459</u>	<u>424,418</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(4,175)	(103,968)
Purchases of investments	(454,698)	(2,470,660)
Proceeds from sale of investments	612,695	524,186
Net change in cash equivalents	<u>(458,715)</u>	<u>1,906,625</u>
Net cash (used in) investing activities	<u>(304,893)</u>	<u>(143,817)</u>
<b>Cash flows from financing activities</b>		
Repayment of bank loan payable	(61,082)	(358,788)
Contributions restricted to permanent endowment	5,741	100,000
Net cash (used in) financing activities	<u>(55,341)</u>	<u>(258,788)</u>
<b>Net increase in cash and cash equivalents</b>	<b>460,225</b>	<b>21,813</b>
<b>Cash and cash equivalents, beginning of year</b>	<b><u>752,049</u></b>	<b><u>730,236</u></b>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$1,212,274</u></b>	<b><u>\$ 752,049</u></b>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	<u>\$ 275</u>	<u>\$ 9,241</u>

See notes to financial statements.

**PROSPECT PARK ALLIANCE, INC.****Notes to Financial Statements****June 30, 2019****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, 2019****Note 2 – Summary of significant accounting policies (continued)****Investments**

The fair value of the investments is based on publicly quoted market prices. Interest and dividends are allocated between net assets without donor restrictions and net assets with temporary donor restrictions. Net realized and unrealized gains and losses on investments are allocated among 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, 2019, 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 hierarchy (Level 1). Their quoted prices are in active markets for identical assets.

**Allowance for doubtful accounts**

As of June 30, 2019, the Alliance deems its accounts and contributions receivable to be collectible and accordingly an allowance for potentially uncollectible receivables is not required. Such estimate is based on management's experience, the aging 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 temporary 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, 2019****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 \$599,712 for the 2019 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 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, 2019. 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, 2019**

**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, 2018 from which the summarized information was derived.

Recent accounting pronouncement

*Not-for-Profit Financial Statement Presentation*

Effective with the 2019 fiscal year, the Alliance adopted Accounting Standards Update ("ASU") No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity and financial performance.

Subsequent events

The Alliance has evaluated events and transactions for potential recognition or disclosure through October 8, 2019, 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, 2019 financial assets available within one year of the statement of financial position date for general expenditures were as follows:

Cash and cash equivalents	\$ 1,212,274
Investments	20,217,208
Accounts receivable	1,478,007
Contributions receivable due in one year	<u>733,792</u>
Sub-total	23,641,281
Less: Net assets with perpetual donor restrictions	<u>(1,871,859)</u>
Total	<u>\$ 21,769,422</u>

**PROSPECT PARK ALLIANCE, INC.**

**Notes to Financial Statements (continued)**  
**June 30, 2019**

**Note 4 – Investments**

The following is a summary of the investments held by the Alliance as of June 30, 2019:

	<u><b>Fair Value</b></u>
Cash and cash equivalents	\$ 2,157,024
Balanced Index Mutual Fund	<u>18,060,184</u>
Total	<u>\$ 20,217,208</u>

**Note 5 – Loan payable and line of credit**

Loan payable

In August 2011, the Alliance obtained a loan from JP Morgan Chase Bank. The loan agreement provided for loan principal of \$2,273,989, 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 was secured by a security interest and lien upon all business assets of the Alliance and JP Morgan Chase Bank had a right of set-off on all its Alliance accounts. The loan agreement contained a restrictive financial covenant, as defined in the agreement. The loan was repaid in full in August 2018.

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, 2019, no amounts were outstanding under the line of credit.

**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.

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. The clubhouse was depreciated on the straight-line method over the term of the agreement.

**PROSPECT PARK ALLIANCE, INC.**

**Notes to Financial Statements (continued)**

**June 30, 2019**

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

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, 2019 is as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Tennis Center	\$ 3,728,891	\$ 3,728,891	\$ -
Furniture, fixtures and equipment	<u>1,504,989</u>	<u>1,358,381</u>	<u>146,608</u>
Total	<u>\$ 5,233,880</u>	<u>\$ 5,087,272</u>	<u>\$ 146,608</u>

**Note 7 – 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	\$ 733,792
Due within 1 to 5 years	<u>75,000</u>
Sub-total	808,792
Less amount to reduce contributions receivable to their present value (discount rate – 3.55%)	<u>(5,380)</u>
Total	<u>\$ 803,412</u>

**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 12, 2019, after which the Alliance and the City of New York may agree to extend the term for one additional year. It is the Alliance's intention to request such an extension.

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 will be up for renewal on July 17, 2020.

**PROSPECT PARK ALLIANCE, INC.**

**Notes to Financial Statements (continued)**  
**June 30, 2019**

**Note 8 – Permit and licensing fees (continued)**

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, 2020.

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, 2020. 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.

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 \$349,231 during the 2019 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, 2019 are as follows:

<u>Fiscal year</u>	<u>Amount</u>
2020	\$ 154,081
2021	<u>110,127</u>
Total	<u>\$ 264,208</u>

**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, 2019:

	<u>Balance June 30, 2018</u>	<u>Support</u>	<u>Net Investment Activity</u>	<u>Net Assets Released from Restrictions</u>	<u>Balance June 30, 2019</u>
Programs					
Field operations and woodlands	\$ 28,359	\$ 219,540	\$ -	\$ (223,291)	\$ 24,608
Public and educational programs	185,372	466,526	-	(413,825)	238,073
Visitor services	866,619	10,000	-	(20,000)	856,619
Design and construction	440,537	180,004	-	(182,254)	438,287
Lakeside Campaign	461,690	-	-	(79,866)	381,824
Time restrictions	379,440	126,873	-	(261,433)	244,880
Supporting services	-	<u>200,000</u>	-	<u>(30,751)</u>	<u>169,249</u>
Total programs	2,362,017	1,202,943	-	(1,211,420)	2,353,540
Endowment					
Unspent investment return earned on perpetual donor restricted endowment fund	<u>1,258,627</u>	<u>-</u>	<u>261,951</u>	<u>(278,431)</u>	<u>1,242,147</u>
Total	<u>\$ 3,620,644</u>	<u>\$ 1,202,943</u>	<u>\$ 261,951</u>	<u>\$ (1,489,851)</u>	<u>\$ 3,595,687</u>

## PROSPECT PARK ALLIANCE, INC.

Notes to Financial Statements (continued)  
June 30, 2019**Note 10 – Endowments**

The Alliance's endowment consists of funds established for specific purposes as well as a Board-designated endowment fund. Under the New York Prudent Management of Institutional Funds Act, the provisions of which apply to endowment funds, the Alliance is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor restricted endowment funds.

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, 2019. During the 2019 fiscal year, the Alliance transferred approximately \$588,000 from the operating fund to the Board-designated endowment fund representing fiscal 2019 surpluses. Such amount is included in the net assets released/transferred/reclassification net total of \$229,317 below.

The following is a summary of the activity of the Alliance's endowment funds for the year ended June 30, 2019:

<b>Program/Purpose</b>	<b>Balance June 30, 2018</b>	<b>Support and Net Investment Return</b>	<b>Net Assets Released/ Transferred/ Reclassification</b>	<b>Balance June 30, 2019</b>
Without donor restrictions – Board-designated	\$ 14,404,780	\$ 1,230,662	\$ 229,317	\$ 15,864,759
<u>Temporary donor restrictions</u>				
Woodlands Fund	\$ 808,873	\$ 131,097	\$ (188,498)	\$ 751,472
Parade Ground Fund	283,000	58,882	(84,643)	257,239
Tennis Scholarship Fund	13,250	3,604	(5,290)	11,564
Board designated – time restricted	153,504	58,140	-	211,644
Arboriculture Fund	-	10,228	-	10,228
Total	\$ 1,258,627	\$ 261,951	\$ (278,431)	\$ 1,242,147
<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	100,000	5,741	25,000	130,741
Total	\$ 1,841,118	\$ 5,741	\$ 25,000	\$ 1,871,859
Total Endowment Funds	\$ 17,504,525	\$ 1,498,354	\$ (24,114)	\$ 18,978,765

**PROSPECT PARK ALLIANCE, INC.****Notes to Financial Statements (continued)**  
**June 30, 2019****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 \$74,941 during the 2019 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 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.