

PROSPECT PARK ALLIANCE, INC.

**Financial Statements
for the year ended
June 30, 2018
(with summarized comparative
information for 2017)**

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, 2018 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, 2018 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 2017 fiscal year financial statements, and our report dated October 6, 2017 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Coudon O'Meara McQuay & Donnelly LLP

PROSPECT PARK ALLIANCE, INC.

Statement of Financial Position

Assets

	June 30	
	2018	2017
Current assets		
Cash and cash equivalents	\$ 752,049	\$ 730,236
Investments, at fair value	18,822,834	17,761,225
Accounts receivable, net	1,357,129	975,713
Contributions receivable – current, net	709,406	698,298
Prepaid expenses, deposits and other	193,529	200,012
Total current assets	21,834,947	20,365,484
Contributions receivable – long-term	118,692	233,152
Property and equipment, at cost, net	281,531	590,732
Security deposits	38,193	37,690
Total assets	\$ 22,273,363	\$ 21,227,058

Liabilities and Net Assets

Current liabilities		
Bank loan payable – current maturities	\$ 61,082	\$ 358,791
Accounts payable and accrued expenses	1,047,539	954,342
Deferred revenue	685,366	525,563
Total current liabilities	1,793,987	1,838,696
Bank loan payable – net of current maturities	-	61,079
Total liabilities	1,793,987	1,899,775
Net assets		
Unrestricted		
Operating	612,834	600,743
Board-designated endowment fund	14,404,780	13,421,843
Total unrestricted	15,017,614	14,022,586
Temporarily restricted		
Programs	2,362,017	2,320,249
Endowment fund	1,258,627	1,243,330
Total temporarily restricted	3,620,644	3,563,579
Permanently restricted – endowment fund	1,841,118	1,741,118
Total net assets	20,479,376	19,327,283
Total liabilities and net assets	\$ 22,273,363	\$ 21,227,058

See notes to financial statements.

PROSPECT PARK ALLIANCE, INC.

Statement of Activities

Year Ended June 30, 2018

(with Summarized Comparative Information for the Year Ended June 30, 2017)

	2018						2017
	Unrestricted		Temporarily Restricted			Permanently Restricted	
	Board-						
	Operating	Designated Endowment	Total	Programs	Endowment	Total	Total
Support and revenue							
Support							
Individuals	\$ 1,969,218	\$ 64,461	\$ 2,033,679	\$ 230,708	\$ -	\$ 230,708	\$ 2,013,202
Corporations	123,456	-	123,456	287,627	-	287,627	608,002
Foundations	256,400	-	256,400	308,151	-	308,151	778,178
Government	470,420	-	470,420	627,339	-	627,339	908,690
Fundraising events – net of direct costs	553,823	-	553,823	70,500	-	70,500	736,027
Net assets released from restrictions and designations	1,926,843	(195,000)	1,731,843	(1,482,657)	(249,186)	(1,731,843)	-
Total support	5,300,160	(130,539)	5,169,621	41,668	(249,186)	(207,518)	5,044,099
Revenue							
Design and construction contracts	778,700	-	778,700	-	-	-	783,140
Sales, rentals and fees	4,795,889	-	4,795,889	-	-	-	4,995,128
Interest and dividends	394	289,079	289,473	100	67,061	67,161	286,630
Net realized and unrealized gain on investments	196	824,397	824,593	-	197,422	197,422	1,063,551
Other	-	-	-	-	-	-	118,658
Total revenue	5,575,179	1,113,476	6,688,655	100	264,483	264,583	7,247,107
Total support and revenue	10,875,339	982,937	11,858,276	41,768	15,297	57,065	12,291,206
Expenses							
Program services							
Field operations and woodlands	2,084,466	-	2,084,466	-	-	-	1,947,795
Public and educational programs	1,315,054	-	1,315,054	-	-	-	1,533,604
Visitor services and events	3,931,996	-	3,931,996	-	-	-	3,896,659
Design and construction	1,456,823	-	1,456,823	-	-	-	1,217,559
Total program services	8,788,339	-	8,788,339	-	-	-	8,595,617
Supporting activities							
General and administrative	1,005,153	-	1,005,153	-	-	-	1,001,024
Fundraising	1,069,756	-	1,069,756	-	-	-	1,124,994
Total supporting activities	2,074,909	-	2,074,909	-	-	-	2,126,018
Total expenses	10,863,248	-	10,863,248	-	-	-	10,721,635
Increase in net assets	12,091	982,937	995,028	41,768	15,297	57,065	1,569,571
Net assets, beginning of year	600,743	13,421,843	14,022,586	2,320,249	1,243,330	3,563,579	17,757,712
Net assets, end of year	\$ 612,834	\$ 14,404,780	\$ 15,017,614	\$ 2,362,017	\$ 1,258,627	\$ 3,620,644	\$ 19,327,283

See notes to financial statements.

PROSPECT PARK ALLIANCE, INC.

**Statement of Functional Expenses
Year Ended June 30, 2018
(with Summarized Comparative Information for the Year Ended June 30, 2017)**

	2018					2017	
	Program Services			Supporting Activities			
	Field Operations and Woodlands	Public and Educational Programs	Visitor Services and Events	Design and Construction	Total Program Services	General and Administrative	Total
Salaries and wages	\$ 1,352,467	\$ 866,799	\$ 1,418,209	\$ 715,405	\$ 4,352,880	\$ 624,434	\$ 5,533,479
Payroll taxes							
and fringe benefits	359,748	199,147	362,261	181,265	1,102,421	153,638	1,381,379
Professional fees	77,921	143,932	666,975	308,244	1,197,072	106,540	1,465,441
Construction	-	-	-	-	-	-	-
Cost of goods sold	-	-	54,926	-	54,926	-	54,926
Supplies and equipment	142,823	46,021	90,472	188,988	468,304	30,331	569,270
Printing and postage	362	3,684	1,574	2,701	8,321	1,667	75,250
Fees and interest	588	384	448,353	534	449,859	10,010	501,292
Insurance	-	6,094	199,574	21,520	227,188	45,151	272,339
Facilities costs	56,227	10,732	371,974	1,371	440,304	20,150	460,475
Other costs	4,307	35,544	26,865	9,322	76,038	11,297	136,228
Depreciation	90,023	2,717	290,813	27,473	411,026	1,935	413,169
Total	\$ 2,084,466	\$ 1,315,054	\$ 3,931,996	\$ 1,456,823	\$ 8,788,339	\$ 1,005,153	\$ 10,863,248
							\$ 10,721,635

See notes to financial statements.

PROSPECT PARK ALLIANCE, INC.

Statement of Cash Flows

	Year Ended June 30	
	2018	2017
Cash flows from operating activities		
Increase in net assets	\$1,152,093	\$1,569,571
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Contributions restricted to permanent endowment	(100,000)	-
Depreciation	413,169	376,700
Net realized and unrealized (gain) on investments	(1,022,015)	(1,063,551)
Donated securities	(121,480)	(196,672)
Proceeds from sale of donated securities	121,735	195,412
(Increase) decrease in assets		
Accounts receivable	(381,416)	(386,349)
Contributions receivable	103,352	2,026,691
Prepaid expenses, deposits and other	6,483	(25,453)
Security deposits	(503)	(246)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	93,197	42,397
Deferred revenue	159,803	(50,891)
Net cash provided by operating activities	<u>424,418</u>	<u>2,487,609</u>
Cash flows from investing activities		
Purchase of property and equipment	(103,968)	(87,815)
Purchases of investments	(2,470,660)	(2,410,592)
Proceeds from sale of investments	524,186	490,986
Net change in cash equivalents	<u>1,906,625</u>	<u>213,959</u>
Net cash (used in) investing activities	<u>(143,817)</u>	<u>(1,793,462)</u>
Cash flows from financing activities		
Repayment of bank loan payable	(358,788)	(346,122)
Contributions restricted to permanent endowment	<u>100,000</u>	<u>-</u>
Net cash (used in) financing activities	<u>(258,788)</u>	<u>(346,122)</u>
Net increase in cash and cash equivalents	21,813	348,025
Cash and cash equivalents, beginning of year	<u>730,236</u>	<u>382,211</u>
Cash and cash equivalents, end of year	<u>\$ 752,049</u>	<u>\$ 730,236</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 9,241</u>	<u>\$ 21,908</u>

See notes to financial statements.

PROSPECT PARK ALLIANCE, INC.**Notes to Financial Statements****June 30, 2018****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**

Unrestricted net assets consist of amounts that can be spent at the discretion of the Alliance. Temporarily restricted net assets consist of contributions that are restricted by the donor for a specific purpose or pertain to future periods. Permanently restricted net assets consist of contributions that are restricted by the donor in that the principal must remain in perpetuity but that the investment 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, 2018**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 unrestricted and temporarily restricted net assets. Net realized and unrealized gains and losses on investments are allocated among unrestricted and temporarily restricted net assets.

Fair value measurements

For assets measured at fair value on a recurring basis as of June 30, 2018, 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, 2018, 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 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 temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor stipulation expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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, 2018****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 \$588,090 for the 2018 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 basis. Accordingly, certain costs have been allocated between the program services and supporting activities benefited.

Use of estimates

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

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, 2018. 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, 2018

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, 2017 from which the summarized information was derived.

Reclassifications

Certain items in the 2017 fiscal year financial statements have been reclassified for comparative purposes only.

Subsequent events

The Alliance has evaluated events and transactions for potential recognition or disclosure through October 3, 2018, which is the date the financial statements were available to be issued.

Note 3 – Investments

The following is a summary of the investments held by the Alliance as of June 30, 2018:

	<u>Fair Value</u>
Cash and cash equivalents	\$ 1,698,309
Balanced Index Mutual Fund	<u>17,124,525</u>
Total	<u>\$18,822,834</u>

Note 4 – 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. As of June 30, 2018, \$61,082 remained outstanding under this loan agreement. As of the date of this report, the Alliance has repaid this loan in full.

PROSPECT PARK ALLIANCE, INC.

Notes to Financial Statements (continued)
June 30, 2018

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

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, 2018, no amounts were outstanding under the line of credit.

Note 5 – 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 temporarily restricted support. It is the Alliance's policy to imply a time restriction, based on the assets' estimated useful lives, on donations of property and equipment that are not restricted as to their use by the donor. Accordingly, these donations are recorded as temporarily restricted support. The Alliance reclassifies temporarily restricted net assets to unrestricted net assets each year for the amount of the donated property and equipment's depreciation expense.

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 is being depreciated on the straight-line method over the remaining term of the agreement.

Consistent with a directive from the City of New York and practices of other similar organizations, the cost of all improvements made to property owned by the City of New York is expensed by the Alliance in the year that 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, 2018 is as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Tennis Center	\$ 3,728,891	\$ 3,669,395	\$ 59,496
Furniture, fixtures and equipment	<u>1,500,814</u>	<u>1,278,779</u>	<u>222,035</u>
Total	<u>\$ 5,229,705</u>	<u>\$ 4,948,174</u>	<u>\$ 281,531</u>

During the 2018 fiscal year, fully depreciated furniture, fixtures and equipment with an original cost basis of \$316,088 were removed from the Alliance's books and records.

PROSPECT PARK ALLIANCE, INC.

Notes to Financial Statements (continued)
June 30, 2018

Note 6 – Contributions receivable

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

	<u>Amount</u>
Due within 1 year	\$ 715,748
Due within 1 to 5 years	<u>130,000</u>
Sub-total	845,748
Less amount to reduce contributions receivable to their present value (discount rate – 3.55%)	<u>(17,650)</u>
Total	<u>\$ 828,098</u>

Note 7 – 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 will be up for renewal on October 12, 2018. The Alliance expects to receive a 1-year extension of this agreement.

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.

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.

PROSPECT PARK ALLIANCE, INC.

Notes to Financial Statements (continued)
June 30, 2018

Note 7 – Permit and licensing fees (continued)

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 \$345,348 during the 2018 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, 2018 are as follows:

<u>Fiscal year</u>	<u>Amount</u>
2019	\$ 153,045
2020	<u>109,081</u>
Total	<u>\$ 262,126</u>

Note 8 – Temporarily restricted net assets

The following is a summary of the activity of the temporarily restricted net assets for the year ended June 30, 2018:

	<u>Balance June 30, 2017</u>	<u>Support</u>	<u>Net Investment Activity</u>	<u>Net Assets Released from Restrictions</u>	<u>Balance June 30, 2018</u>
Programs					
Field operations and woodlands	\$ 17,901	\$ 278,706	\$ -	\$ (268,248)	\$ 28,359
Public and educational programs	228,444	398,977	-	(442,049)	185,372
Visitor services	866,619	27,000	-	(27,000)	866,619
Design and construction	425,501	496,131	-	(481,095)	440,537
Lakeside Campaign	498,315	-	100	(36,725)	461,690
Time restrictions	253,469	300,511	-	(174,540)	379,440
Supporting services	<u>30,000</u>	<u>23,000</u>	<u>-</u>	<u>(53,000)</u>	<u>-</u>
Total programs	2,320,249	1,524,325	100	(1,482,657)	2,362,017
Endowment					
Unspent investment return earned on permanently restricted endowment funds	<u>1,243,330</u>	<u>-</u>	<u>264,483</u>	<u>(249,186)</u>	<u>1,258,627</u>
Total	<u>\$ 3,563,579</u>	<u>\$ 1,524,325</u>	<u>\$ 264,583</u>	<u>\$ (1,731,843)</u>	<u>\$ 3,620,644</u>

PROSPECT PARK ALLIANCE, INC.

Notes to Financial Statements (continued)
June 30, 2018

Note 9 – 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 permanently restricted funds to temporarily restricted funds and has adopted a spending policy where income may be appropriated from the temporarily restricted and unrestricted 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 4.75% of this average asset value for the year ended June 30, 2018.

From time to time, the values of permanently restricted endowment funds may fall below their historic dollar values. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. There were no permanent endowment fund deficiencies as of June 30, 2018. The following is a summary of the activity of the Alliance's endowment funds for the year ended June 30, 2018:

<u>Program/Purpose</u>	<u>Balance June 30, 2017</u>	<u>Support and Net Investment Return</u>	<u>Net Assets Released/ Transferred</u>	<u>Balance June 30, 2018</u>
Unrestricted – Board-designated	\$ 13,421,843	\$ 1,177,937	\$ (195,000)	\$ 14,404,780
<u>Temporarily restricted</u>				
Woodlands Fund	\$ 835,250	\$ 142,372	\$ (168,749)	\$ 808,873
Parade Ground Fund	294,848	63,944	(75,792)	283,000
Tennis Scholarship Fund	13,975	3,920	(4,645)	13,250
Board designated – time restricted	99,257	54,247	-	153,504
Total	\$ 1,243,330	\$ 264,483	\$ (249,186)	\$ 1,258,627
<u>Permanently restricted</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	-	100,000
Total	\$ 1,741,118	\$ 100,000	\$ -	\$ 1,841,118
Total Endowment Funds	\$ 16,406,291			\$ 17,504,525

PROSPECT PARK ALLIANCE, INC.**Notes to Financial Statements (continued)****June 30, 2018****Note 10 – Retirement plan**

The Alliance maintains a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. Employees of the Alliance become eligible to participate in the plan when they have completed two years of service at the Alliance and are 21 years of age. Once an employee is in the plan, the employee is immediately vested. The Alliance contributes an amount equal to 2% of each eligible employee's compensation to the plan. Contributions totaled \$71,185 during the 2018 fiscal year.

Note 11 – 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 12 – 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.