

**PROSPECT PARK ALLIANCE, INC.**

**Financial Statements  
for the year ended  
June 30, 2020  
(with summarized comparative  
information for 2019)**

## **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, 2020 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, 2020 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 2019 fiscal year financial statements, and our report dated October 8, 2019 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Carver DiLisser Mc Guffey & Donnelly LLP*

October 23, 2020

**PROSPECT PARK ALLIANCE, INC.**

**Statement of Financial Position**

**Assets**

	<b>June 30</b>	
	<b>2020</b>	<b>2019</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,277,041	\$ 1,212,274
Investments, at fair value	21,192,563	20,217,208
Accounts receivable, net	715,936	1,478,007
Contributions receivable – current, net	1,134,331	728,412
Prepaid expenses, deposits and other	105,646	179,045
Total current assets	<u>25,425,517</u>	<u>23,814,946</u>
<b>Contributions receivable – long-term, net</b>	9,326	75,000
<b>Property and equipment, at cost, net</b>	91,380	146,608
<b>Security deposits</b>	<u>47,946</u>	<u>48,024</u>
<b>Total assets</b>	<b><u>\$ 25,574,169</u></b>	<b><u>\$ 24,084,578</u></b>

**Liabilities and Net Assets**

<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 1,505,884	\$ 1,348,282
Deferred revenue	854,645	781,030
Refundable advance	345,948	-
Total liabilities	<u>2,706,477</u>	<u>2,129,312</u>
<b>Net assets</b>		
Without donor restrictions		
Operating	627,082	622,961
Board-designated endowment fund	16,949,375	15,864,759
Total net assets without donor restrictions	<u>17,576,457</u>	<u>16,487,720</u>
With donor restrictions		
Temporary donor restrictions		
Programs	2,225,239	2,353,540
Endowment fund	1,181,637	1,242,147
Total net assets temporary donor restrictions	<u>3,406,876</u>	<u>3,595,687</u>
Perpetual donor restrictions – endowment fund	1,884,359	1,871,859
Total net assets	<u>22,867,692</u>	<u>21,955,266</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 25,574,169</u></b>	<b><u>\$ 24,084,578</u></b>

See notes to financial statements.

**PROSPECT PARK ALLIANCE, INC.**

**Statement of Activities**

**Year Ended June 30, 2020**

**(with Summarized Comparative Information for the Year Ended June 30, 2019)**

	2020						2019					
	Without Donor Restrictions			With Donor Restrictions			Perpetual Donor Restrictions					
	Board-			Temporary Donor Restrictions								
	Operating	Endowment	Total	Programs	Endowment	Total	Endowment	Total	Total	Endowment	Total	Total
<b>Support and revenue</b>												
Support												
Individuals	\$ 2,249,656	\$ 20,000	\$ 2,269,656	\$ 155,602	\$ -	\$ 155,602	\$ 12,500	\$ 2,437,758	\$ 2,185,831			
Corporations	141,316	-	141,316	200,250	-	200,250	-	341,566	407,090			
Foundations	625,000	-	625,000	553,140	-	553,140	-	1,178,140	794,798			
Government	865,690	-	865,690	1,516,956	-	1,516,956	-	2,382,646	894,716			
Fundraising events – net of direct costs	529,621	-	529,621	94,389	-	94,389	-	624,010	608,457			
Net assets released from restrictions and designations	3,100,983	(150,977)	2,950,006	(2,648,638)	(301,368)	(2,950,006)	-	-	-			
Total support	7,512,266	(130,977)	7,381,289	(128,301)	(301,368)	(429,669)	12,500	6,964,120	4,890,892			
Revenue												
Design and construction contracts	1,031,558	-	1,031,558	-	-	-	-	1,031,558	1,945,656			
Sales, rentals and fees	3,287,476	-	3,287,476	-	-	-	-	3,287,476	4,892,717			
Interest and dividends	-	371,458	371,458	-	75,335	75,335	-	446,793	398,956			
Net realized and unrealized gain	(2,572)	844,135	841,563	-	165,523	165,523	-	1,007,086	1,094,189			
Other	15,493	-	15,493	-	-	-	-	15,493	-			
Total revenue	4,331,955	1,215,593	5,547,548	-	240,858	240,858	-	5,788,406	8,331,518			
Total support and revenue	11,844,221	1,084,616	12,928,837	(128,301)	(60,510)	(188,811)	12,500	12,752,526	13,222,410			
<b>Expenses</b>												
Program services												
Field operations and woodlands	2,278,913	-	2,278,913	-	-	-	-	2,278,913	2,096,635			
Public and educational programs	1,314,804	-	1,314,804	-	-	-	-	1,314,804	1,314,064			
Visitor services and events	3,333,240	-	3,333,240	-	-	-	-	3,333,240	3,739,633			
Design and construction	2,338,470	-	2,338,470	-	-	-	-	2,338,470	2,341,960			
Total program services	9,265,427	-	9,265,427	-	-	-	-	9,265,427	9,492,292			
Supporting activities												
General and administrative	1,368,314	-	1,368,314	-	-	-	-	1,368,314	1,137,993			
Fundraising	1,206,359	-	1,206,359	-	-	-	-	1,206,359	1,116,235			
Total supporting activities	2,574,673	-	2,574,673	-	-	-	-	2,574,673	2,254,228			
Total expenses	11,840,100	-	11,840,100	-	-	-	-	11,840,100	11,746,520			
Increase (decrease) in net assets	4,121	1,084,616	1,088,737	(128,301)	(60,510)	(188,811)	12,500	912,426	1,475,890			
Net assets, beginning of year	622,961	15,864,759	16,487,720	2,353,540	1,242,147	3,595,687	1,871,859	21,955,266	20,479,376			
Net assets, end of year	\$ 627,082	\$16,949,375	\$17,576,457	\$ 2,225,239	\$ 1,181,637	\$ 3,406,876	\$ 1,884,359	\$22,867,692	\$21,955,266			

See notes to financial statements.

**PROSPECT PARK ALLIANCE, INC.**

**Statement of Functional Expenses**  
**Year Ended June 30, 2020**  
**(with Summarized Comparative Information for the Year Ended June 30, 2019)**

	2020					2019		
	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	Fundraising	Total
Salaries and wages	\$ 1,414,293	\$ 920,781	\$ 1,431,586	\$ 891,980	\$ 4,658,640	\$ 652,638	\$ 615,747	\$ 5,927,025
Payroll taxes								\$ 5,783,766
and fringe benefits	357,199	191,184	321,390	224,335	1,094,108	156,948	134,650	1,385,706
Professional fees	62,355	11,772	529,838	469,528	1,073,493	317,513	237,570	1,628,576
Construction	-	-	-	600,243	600,243	-	-	600,243
Cost of goods sold	-	-	41,885	-	41,885	-	-	41,885
Supplies and equipment	349,024	150,422	76,022	117,165	692,633	42,447	89,214	824,294
Printing and postage	354	2,862	1,286	748	5,250	832	60,980	67,062
Fees and interest	1,876	1,489	378,351	235	381,951	6,541	40,658	429,150
Insurance	-	4,199	193,932	28,744	226,875	65,353	-	292,228
Facilities costs	33,781	8,899	335,968	1,210	379,858	24,416	-	404,274
Other costs	1,487	19,540	22,235	4,209	47,471	100,140	27,248	174,859
Depreciation	58,544	3,656	747	73	63,020	1,486	292	64,798
<b>Total</b>	<b>\$ 2,278,913</b>	<b>\$ 1,314,804</b>	<b>\$ 3,333,240</b>	<b>\$ 2,338,470</b>	<b>\$ 9,265,427</b>	<b>\$ 1,368,314</b>	<b>\$ 1,206,359</b>	<b>\$ 11,840,100</b>
								<b>\$ 11,746,520</b>

See notes to financial statements.

**PROSPECT PARK ALLIANCE, INC.**

**Statement of Cash Flows**

	<b>Year Ended June 30</b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 912,426	\$1,475,890
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Contributions restricted to permanent endowment	(12,500)	(5,741)
Depreciation	64,798	139,098
Net realized and unrealized (gain) on investments	(1,007,086)	(1,094,189)
Donated securities	(248,215)	(177,403)
Proceeds from sale of donated securities	245,642	177,936
(Increase) decrease in assets		
Accounts receivable, net	762,071	(120,878)
Contributions receivable, net	(340,245)	24,686
Prepaid expenses, deposits and other	73,399	14,484
Security deposits	78	(9,831)
Increase in liabilities		
Accounts payable and accrued expenses	157,602	300,743
Deferred revenue	73,615	95,664
Refundable advance	345,948	-
Net cash provided by operating activities	<u>1,027,533</u>	<u>820,459</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(9,570)	(4,175)
Purchases of investments	(446,791)	(454,698)
Proceeds from sale of investments	652,345	612,695
Net change in cash equivalents	<u>(171,250)</u>	<u>(458,715)</u>
Net cash provided by (used in) investing activities	<u>24,734</u>	<u>(304,893)</u>
<b>Cash flows from financing activities</b>		
Repayment of bank loan payable	-	(61,082)
Contributions restricted to permanent endowment	<u>12,500</u>	<u>5,741</u>
Net cash provided by (used in) financing activities	<u>12,500</u>	<u>(55,341)</u>
Net increase in cash and cash equivalents	<b>1,064,767</b>	<b>460,225</b>
Cash and cash equivalents, beginning of year	<u>1,212,274</u>	<u>752,049</u>
Cash and cash equivalents, end of year	<u><b>\$2,277,041</b></u>	<u><b>\$1,212,274</b></u>

See notes to financial statements.

**PROSPECT PARK ALLIANCE, INC.****Notes to Financial Statements  
June 30, 2020****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, 2020****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, 2020, 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, 2020, the Alliance has an allowance for doubtful accounts of approximately \$22,000 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 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, 2020****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 \$928,201 for the 2020 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, 2020. 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, 2020**

**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, 2019 from which the summarized information was derived.

Subsequent events

The Alliance has evaluated events and transactions for potential recognition or disclosure through October 23, 2020, which is the date the financial statements were available to be issued.

Risks and uncertainties

Due to the COVID-19 pandemic, the Alliance has faced challenges as operations have been curtailed, as the City of New York's budget has been constrained, and as the public's use of the park has surged throughout the spring and summer. The Alliance is fortunate to have cash reserves on hand, to have received assistance through a Paycheck Protection Program loan, and to have benefited from robust philanthropic support from its donors. Despite this, steps were taken to mitigate the financial impacts of the pandemic and cost reduction measures including layoffs, furloughs and pay cuts were implemented in June 2020. Since then some operations in the park have reopened although it is unclear when all operations would fully resume.

**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, 2020, financial assets available within one year of the statement of financial position date for general expenditures were as follows:

Cash and cash equivalents	\$ 2,277,041
Investments	21,192,563
Accounts receivable, net	715,936
Contributions receivable, net	<u>1,134,331</u>
Sub-total	25,319,871
Less: Net assets with perpetual donor restrictions	<u>(1,884,359)</u>
Total	<u>\$ 23,435,512</u>

**PROSPECT PARK ALLIANCE, INC.**

**Notes to Financial Statements (continued)**  
**June 30, 2020**

**Note 4 – Investments**

The following is a summary of the investments held by the Alliance as of June 30, 2020:

	<u><b>Fair Value</b></u>
Cash and cash equivalents	\$ 2,328,274
Balanced Index Mutual Fund	<u>18,864,289</u>
Total	<u>\$ 21,192,563</u>

**Note 5 – Contributions receivable**

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

	<u><b>Amount</b></u>
Due within 1 year	\$ 1,134,674
Due within 1 to 5 years	<u>10,000</u>
Sub-total	1,144,674
Less amount to reduce contributions receivable to their present value (discount rate – 3.55%)	<u>(1,017)</u>
Total	<u>\$ 1,143,657</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.

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.

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, 2020**

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

A summary of the property and equipment and the accumulated depreciation as of June 30, 2020 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	<u>1,514,558</u>	<u>1,423,178</u>	<u>91,380</u>
Total	<u>\$ 5,243,450</u>	<u>\$ 5,152,070</u>	<u>\$ 91,380</u>

**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, 2020, no amounts were outstanding under the line of credit.

**Note 8 – Refundable advance**

On May 1, 2020, the Alliance was granted a loan from JPMorgan Chase, in the aggregate amount of \$1,266,523, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage interest payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The loan, which was in the form of a Note dated April 6, 2020 matures on April 6, 2022 and bears interest at a rate of 0.98% per annum, payable monthly commencing on November 1, 2020.

The Alliance elected a 24-week period (May 3rd through October 17, 2020) over which to utilize the PPP loan proceeds. The Alliance recorded the loan proceeds of \$1,266,523 as a refundable advance and recognized as revenue \$920,575 of matching eligible expenses incurred and paid during fiscal year 2020. The Alliance intends to use the proceeds for purposes consistent with the PPP and believe its use of the loan proceeds will meet the conditions for 100% forgiveness.

**Note 9 – Permit and licensing fees**

The Alliance has a licensing agreement with the City of New York to operate a year-round tennis facility at the Parade Ground. The agreement requires minimum annual payments as outlined in the agreement and terminates in 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 will be 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 will be up for renewal on July 17, 2025.

**PROSPECT PARK ALLIANCE, INC.**

**Notes to Financial Statements (continued)**  
**June 30, 2020**

**Note 9 – Permit and licensing fees (continued)**

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 will be 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.

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 \$303,921 during the 2020 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, 2020 are as follows:

<u>Fiscal year</u>	<u>Amount</u>
2021	\$ 335,629
2022	387,080
2023	393,662
2024	400,352
2025	407,172
2026 and thereafter	<u>3,264,131</u>
Total	<u>\$ 5,188,026</u>

**Note 10– Net assets with temporary donor restrictions**

The following is a summary of the activity of the net assets with temporary donor restrictions for the year ended June 30, 2020:

	<u>Balance June 30, 2019</u>	<u>Support</u>	<u>Net Investment Activity</u>	<u>Net Assets Released from Restrictions</u>	<u>Reclassification</u>	<u>Balance June 30, 2020</u>
Programs						
Field operations and woodlands	\$ 24,608	\$ 167,852	\$ -	\$ (169,216)	\$ (23,244)	\$ -
Public and educational programs	238,073	416,847	-	(392,252)	(1,364)	261,304
Visitor services	856,619	50,000	-	(50,000)	-	856,619
Design and construction	438,287	409,182	-	(806,227)	-	41,242
Lakeside Campaign	381,824	-	-	(28,750)	-	353,074
Prospect Park Campaign	-	100,000	-	-	-	100,000
Time restrictions	244,880	455,881	-	(194,868)	24,608	530,501
Supporting services	<u>169,249</u>	<u>920,575</u>	-	<u>(1,007,325)</u>	-	<u>82,499</u>
Total programs	2,353,540	2,520,337	-	(2,648,638)	-	2,225,239
Endowment						
Unspent investment return earned on perpetual donor restricted endowment fund	<u>1,242,147</u>	-	<u>240,858</u>	<u>(301,368)</u>	-	<u>1,181,637</u>
Total	<u>\$ 3,595,687</u>	<u>\$ 2,520,337</u>	<u>\$ 240,858</u>	<u>\$ (2,950,006)</u>	<u>\$ -</u>	<u>\$ 3,406,876</u>

**PROSPECT PARK ALLIANCE, INC.**

**Notes to Financial Statements (continued)**  
**June 30, 2020**

**Note 11 – 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, 2020. During the 2020 fiscal year, the Alliance transferred approximately \$200,000 from the operating fund to the Board-designated endowment fund representing fiscal 2020 surpluses. Such amount is included in the net assets released/transferred/reclassification net total of \$(150,977) below.

The following is a summary of the activity of the Alliance's endowment funds for the year ended June 30, 2020:

<b><u>Program/Purpose</u></b>	<b><u>Balance June 30, 2019</u></b>	<b><u>Support and Net Investment Return</u></b>	<b><u>Net Assets Released/ Transferred/ Reclassification</u></b>	<b><u>Balance June 30, 2020</u></b>
Without donor restrictions – Board-designated	\$ 15,864,759	\$ 1,235,593	\$ (150,977)	\$ 16,949,375
<b><u>Temporary donor restrictions</u></b>				
Woodlands Fund	\$ 751,472	\$ 115,416	\$ (204,092)	\$ 662,796
Parade Ground Fund	257,239	51,839	(91,667)	217,411
Tennis Scholarship Fund	11,564	3,170	(5,609)	9,125
Board designated – time restricted	211,644	58,788	-	270,432
Arboriculture Fund	10,228	11,645	-	21,873
Total	\$ 1,242,147	\$ 240,858	\$ (301,368)	\$ 1,181,637
<b><u>Perpetual donor restrictions</u></b>				
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	130,741	12,500	-	143,241
Total	\$ 1,871,859	\$ 12,500	\$ -	\$ 1,884,359
Total Endowment Funds	\$ 18,978,765	\$ 1,488,951	\$ (452,345)	\$ 20,015,371

**PROSPECT PARK ALLIANCE, INC.****Notes to Financial Statements (continued)****June 30, 2020****Note 12 – Retirement plan**

The Alliance maintains a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code. Employees of the Alliance become eligible to participate in the plan when they have completed two years of service at the Alliance and are 21 years of age. Once an employee is in the plan, the employee is immediately vested. The Alliance contributes an amount equal to 2% of each eligible employee's compensation to the plan. Contributions totaled \$81,818 during the 2020 fiscal year.

**Note 13 – Litigation**

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

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

**Note 14 – Tax status**

The Alliance is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, the Alliance has been determined by the Internal Revenue Service to be a publicly supported organization, and not a private foundation, within the meaning of Section 509(a)(1) of the Code.