

THE BATTERY CONSERVANCY, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2012 AND 2011

THE BATTERY CONSERVANCY, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
The Battery Conservancy, Inc.

We have audited the accompanying financial statements of The Battery Conservancy, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 of 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 auditors' 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 above present fairly, in all material respects, the financial position of The Battery Conservancy, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Lotz + Carr, LLP

New York, New York
May 23, 2013

THE BATTERY CONSERVANCY, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Assets		
Cash and cash equivalents (Notes 1b and 4)		
Unrestricted	\$ 2,600,796	\$ 2,439,800
Board designated (Note 2a)	1,011,788	1,011,788
Temporarily restricted	308,349	-
Permanently restricted (Note 2c)	<u>90,000</u>	<u>90,000</u>
	4,010,933	3,541,588
Investments (Notes 1c and 5)		
Unrestricted	1,194,887	1,012,369
Temporarily restricted	663,741	836,054
Unconditional promises to give (Notes 1d, 6 and 9)		
Unrestricted	51,090	22,462
Restricted to specific programs and periods	746,065	50,000
Accounts receivable	2,916	10,469
Prepaid expenses	33,980	42,562
Property and equipment and reimbursable advances, at cost, net of accumulated depreciation (Notes 1e and 7)	9,459,656	9,176,751
Security deposits	<u>18,814</u>	<u>7,542</u>
Total Assets	<u><u>\$16,182,082</u></u>	<u><u>\$14,699,797</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 142,670</u>	<u>\$ 60,720</u>
Commitments and Contingencies (Note 8)		
Net Assets		
Unrestricted		
Board designated (Note 2a and 3)	1,011,788	1,011,788
Other	<u>13,219,469</u>	<u>12,651,235</u>
Total Unrestricted	14,231,257	13,663,023
Temporarily restricted (Note 2b)	1,718,155	886,054
Permanently restricted (Note 2c and 3)	<u>90,000</u>	<u>90,000</u>
Total Net Assets	<u>16,039,412</u>	<u>14,639,077</u>
Total Liabilities and Net Assets	<u><u>\$16,182,082</u></u>	<u><u>\$14,699,797</u></u>

See notes to financial statements.

THE BATTERY CONSERVANCY, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Changes in Unrestricted Net Assets		
Revenues, Gains and Other Support		
Contributions (Note 9)	\$ 1,097,104	\$ 842,817
Fundraising benefits	1,406,523	1,314,438
Less: Direct costs benefiting donors	(149,799)	(123,210)
Donated furniture, services and use of facilities (Note 10)	511,747	414,615
Database income	17,854	18,513
Royalties	12,206	23,712
Net investment income (Note 5)	19,582	41,906
Miscellaneous income	31,531	13,011
	<u>2,946,748</u>	<u>2,545,802</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	<u>309,313</u>	<u>540,269</u>
Total Revenues, Gains and Other Support	<u>3,256,061</u>	<u>3,086,071</u>
Expenses		
Program Services		
Battery Park Programs	<u>1,809,898</u>	<u>1,391,615</u>
Supporting Services		
Management and general	306,686	187,823
Fundraising	<u>247,658</u>	<u>192,960</u>
Total Supporting Services	<u>554,344</u>	<u>380,783</u>
Total Expenses	<u>2,364,242</u>	<u>1,772,398</u>
Increase in Unrestricted Net Assets Before Donated Legal Services	891,819	1,313,673
Donated legal services relating to licensing (2012) and litigation and settlement (2011) (Notes 8c and 10)	<u>(323,585)</u>	<u>(312,686)</u>
Increase in Unrestricted Net Assets	<u>568,234</u>	<u>1,000,987</u>
Changes in Temporarily Restricted Net Assets		
Contributions (Note 9)	1,141,414	250,000
Net assets released from restrictions	<u>(309,313)</u>	<u>(540,269)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>832,101</u>	<u>(290,269)</u>
Increase in net assets	1,400,335	710,718
Net assets, beginning of year	<u>14,639,077</u>	<u>13,928,359</u>
Net Assets, End of Year	<u><u>\$16,039,412</u></u>	<u><u>\$14,639,077</u></u>

See notes to financial statements.

THE BATTERY CONSERVANCY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 1,400,335	\$ 710,718
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	404,509	239,754
Unrealized (gain) loss on investments	4,518	(9,803)
Donated stock	(75,331)	(59,233)
Donated office furniture	(90,000)	-
(Increase) decrease in:		
Unconditional promises to give	(724,693)	300,403
Accounts receivable	7,553	(10,469)
Prepaid expenses	8,582	(10,397)
Security deposits	(11,272)	-
Increase (decrease) in accounts payable and accrued expenses	<u>81,950</u>	<u>(39,578)</u>
Net Cash Provided By Operating Activities	<u>1,006,151</u>	<u>1,121,395</u>
Cash Flows From Investing Activities		
Additions to property and equipment and refundable advances	(597,414)	(1,031,575)
Proceeds from sale of securities	75,331	59,233
Purchase of securities	(14,723)	(19,571)
Purchase of certificates of deposit	-	(5,000)
Net Cash Used By Investing Activities	<u>(536,806)</u>	<u>(996,913)</u>
Net increase in cash and cash equivalents	469,345	124,482
Cash and cash equivalents, beginning of year	<u>3,541,588</u>	<u>3,417,106</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,010,933</u>	<u>\$ 3,541,588</u>

See notes to financial statements.

THE BATTERY CONSERVANCY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2012 AND 2011****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

The Battery Conservancy, Inc. (the "Organization") is a not-for-profit corporation which was formed May 6, 1994 to restore and revitalize Manhattan's Historic Battery Park and Castle Clinton National Monument, the park's major landmark.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments, with an initial maturity of three months or less, to be cash equivalents, except for cash equivalents held in the Organization's investment portfolio.

c - Investments

The Organization reflects investments at fair value in the statement of financial position. Interest, dividends, and gains and losses on investments are reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Gains and other investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in unrestricted net assets if the restrictions are met in the same fiscal year in which the gains and other investment income are recognized.

Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Fair value measurements are not adjusted for transaction costs and a fair value hierarchy is implemented that prioritizes inputs to valuation techniques used to measure fair value into three levels:

- Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Organization.
- Level 3 Unobservable inputs. Unobservable inputs reflect the assumptions that the General Partner or Investment Manager of Archstone Partnerships develops based on available information about what market participants would use in valuing the asset or liability.

THE BATTERY CONSERVANCY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2012 AND 2011****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****c - Investments (continued)**

The values assigned to investments and any unrealized gains or losses reported are based on available information and do not necessarily represent amounts that might be realized if a ready market existed and such differences could be material. Furthermore, the ultimate realization of such amounts depends on future events and circumstances and therefore valuation estimates may differ from the value realized upon disposition of individual positions.

d - Contributions and Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

e - Property and Equipment

Property and equipment are recorded at cost and are being depreciated using the straight-line method over the estimated useful life of the asset. Most physical improvements made by the Organization to Battery Park are owned by the City of New York. Projects in progress, therefore, may not be owned by the Organization and amounts represent the Organization's share of related capital expenditures.

Donated items are capitalized at the estimated fair value at the date of the gift and are depreciated over their estimated useful lives.

f - Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

g - Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

THE BATTERY CONSERVANCY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2012 AND 2011****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****h - Tax Status**

The Battery Conservancy, Inc. is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. Management has evaluated all income tax positions, including the position that the Organization is exempt from income taxes or not subject to income taxes or unrelated business income, and concluded that no disclosures relating to uncertain tax positions are required in the financial statements. The Organization's tax returns for years prior to 2009 are generally no longer subject to examination by the taxing authorities.

i - Subsequent Events

The Organization has evaluated subsequent events through May 23, 2013, the date that the financial statements are considered available to be issued.

Note 2 - Restrictions on Assets**a - Board Designated**

A portion of this fund was designated by the Board to be used to support the operation and staffing of the Harbor Park Visitor Center. In November 1999, the Board approved to re-designate the funds to the *River that Flows Two Ways* public art project in the amount of \$48,032. The art project was completed in 2000, therefore, \$48,032 was transferred to the endowment (Note 2c). The balance of the board designated fund as of December 31, 2012 and 2011 was \$11,788.

In April 2002, the Organization received an unrestricted grant of \$1,000,000 from the Verizon Foundation. The Board of Directors resolved that this gift be established as a board designated endowment fund and that the earnings be used to maintain year-round gardens along the Battery Waterfront at the tip of Manhattan.

b - Temporarily Restricted

Temporarily restricted net assets are restricted for future programs and periods, including costs related to SuperStorm Sandy. The Organization combined a fundraising campaign to recover from SuperStorm Sandy with its 2012 Year End Appeal. A temporary restricted fund was created from gifts identifiable as Sandy-related. Significant expenses so far include rebuilding the Bosque Fountain and setting up a new office. Other known costs include extensive replanting of the Gardens of Remembrance and paying for increased rent during a five-year sublease. New issues attributable to damage from Sandy continue to be uncovered and likely will be for months or even years.

THE BATTERY CONSERVANCY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2012 AND 2011****Note 2 - Restrictions on Assets (continued)****c - Permanently Restricted**

As part of the art project, the *River that Flows Two Ways*, the Organization was required by the City of New York Parks Recreation to establish a \$90,000 fund dedicated for the care of the artwork. The fund is to guarantee regular, annual financial support for any necessary repairs, maintenance and general upkeep.

Note 3 - Endowment Funds

The Organization's endowments consist of two individual funds, comprised of money market funds, established for specific purposes. The endowments include both a government required endowment fund and a fund designated by the Board of Directors to function as an endowment. Net assets associated with the endowment funds, including funds designated by the Board of Directors to function as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

Consistent with New York State Not-for-Profit Corporation Law and the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of any applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization.

In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (i) the duration and preservation of the endowment fund;
- (ii) the purposes of the Organization and the endowment fund;
- (iii) general economic conditions;
- (iv) the possible effect of inflation or deflation;
- (v) the expected total return from income and the appreciation of investments;
- (vi) other resources of the Organization;
- (vii) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Organization; and
- (viii) the investment policy of the Organization

THE BATTERY CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

Note 3 - Endowment Funds (continued)

The Organization's endowment funds composition, by type of fund and net asset classification, are summarized as follows:

	2012		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$90,000	\$ 90,000
Board designated endowment funds	<u>1,011,788</u>	<u>-</u>	<u>1,011,788</u>
Total Endowment Funds	<u>\$1,011,788</u>	<u>\$90,000</u>	<u>\$1,101,788</u>
	2011		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$90,000	\$ 90,000
Board designated endowment funds	<u>1,011,788</u>	<u>-</u>	<u>1,011,788</u>
Total Endowment Funds	<u>\$1,011,788</u>	<u>\$90,000</u>	<u>\$1,101,788</u>

Changes in the Organization's endowment funds for the years ended December 31, 2012 and 2011 are summarized as follows:

	2012		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment funds, beginning of year	\$1,011,788	\$90,000	\$1,101,788
Interest	2,501	-	2,501
Appropriation of endowment assets for expenditure	<u>(2,501)</u>	<u>-</u>	<u>(2,501)</u>
Endowment Funds, End of Year	<u>\$1,011,788</u>	<u>\$90,000</u>	<u>\$1,101,788</u>
	2011		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment funds, beginning of year	\$1,011,788	\$90,000	\$1,101,788
Interest	6,939	-	6,939
Appropriation of endowment assets for expenditure	<u>(6,939)</u>	<u>-</u>	<u>(6,939)</u>
Endowment Funds, End of Year	<u>\$1,011,788</u>	<u>\$90,000</u>	<u>\$1,101,788</u>

THE BATTERY CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

Note 4 - Concentration of Credit Risk

The Organization maintains its cash balances at a bank located in New York, New York.

Note 5 - Investments

All investments are classified as level 1 in the fair value hierarchy and are summarized as follows:

	<u>2012</u>		<u>2011</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Mutual Fund				
Vanguard Short Term - Treasury	\$ 979,972	\$ 980,119	\$ 972,269	\$ 967,898
Certificates of deposit	<u>878,656</u>	<u>878,656</u>	<u>876,154</u>	<u>876,154</u>
	<u>\$1,858,628</u>	<u>\$1,858,775</u>	<u>\$1,848,423</u>	<u>\$1,844,052</u>

Net investment income consists of:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$24,100	\$32,103
Unrealized gains (losses)	<u>(4,518)</u>	<u>9,803</u>
Net Investment Income	<u>\$19,582</u>	<u>\$41,906</u>

Note 6 - Unconditional Promises to Give

Unconditional promises to give are due as follows:

	<u>2012</u>	<u>2011</u>
Due in less than one year	\$476,090	\$72,462
Due in one to five years	<u>350,000</u>	<u>-</u>
	826,090	72,462
Less: Discount to present value	<u>(28,935)</u>	<u>-</u>
	<u>\$797,155</u>	<u>\$72,462</u>

Uncollectible promises are expected to be insignificant. Unconditional promises to give for periods due after one year are discounted to net present value using a discount rate of 3%.

THE BATTERY CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

Note 7 - Property and Equipment

a - Property and equipment consist of the following at December 31:

	<u>Life</u>	<u>2012</u>	<u>2011</u>
Office furniture and equipment	3 years	\$ 114,093	\$ 295,101
Park furniture and equipment	5 years	75,600	75,600
Equipment - Castle Clinton	5 years	-	33,880
Leasehold improvements	5 years	-	191,392
Bosque	10 years	63,022	63,022
New Amsterdam Plein and Pavillion (Note 7c)	7 years	2,187,355	2,187,355
Reimbursable advances (Note 7b)	8 years	443,999	461,704
Projects in progress (Note 7d)		<u>7,388,804</u>	<u>6,797,777</u>
		10,272,873	10,105,831
Less: Accumulated depreciation		<u>(813,217)</u>	<u>(929,080)</u>
		<u>\$ 9,459,656</u>	<u>\$ 9,176,751</u>

Depreciation expense for the years ended December 31, 2012 and 2011 was \$404,509 and \$239,754, respectively.

b - The Organization constructed two food kiosks within the Bosque Gardens in Battery Park, which it operates and maintains under a license agreement with The City of New York's Department of Parks and Recreation ("DPR"). Under the agreement, the Organization also provides maintenance for the Gardens. The Organization subleases the operations and maintenance of the kiosks to a third party, and in accordance with the terms of the DPR license agreement, will retain sublicensing revenue until the Organization recovers the amount of costs it incurred to construct the kiosks. Through December 31, 2012, the Organization has been reimbursed \$77,207 and anticipates the recovery period to be several years. After recovering the construction costs, the Organization will remit to DPR the amount of annual sublicensing revenue which exceeds the lesser of \$280,000 or its actual annual garden maintenance costs. Reimbursable advances as of December 31, 2012 and 2011 are comprised of the following:

	<u>2012</u>	<u>2011</u>
Construction costs	\$521,206	\$521,206
Reimbursements	<u>(77,207)</u>	<u>(59,502)</u>
	443,999	461,704
Less: Accumulated depreciation	<u>(273,175)</u>	<u>(216,569)</u>
	<u>\$170,824</u>	<u>\$245,135</u>

THE BATTERY CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

Note 7 - Property and Equipment (continued)

c - The Organization constructed a food and beverage concession within the New Amsterdam Plein and Pavilion at the Peter Minuit Plaza in Battery Park, which it will operate and maintain under a seven (7) year license agreement with The City of New York's Department of Parks and Recreation ("DPR"). Under the agreement, the Organization also provides for the maintenance of the Plaza. Effective November 1, 2011, the Organization sublicensed the operations of the concession to a third party, and in accordance with the terms of the DPR license agreement, will retain sublicensing revenue to provide services for the maintenance and/or improvement of the licensed premises. The agreed upon value of such services is \$468,000 per year. If any sublicensing revenue exceeds the lesser of the annual eligible service costs or \$468,000, such funds will be paid by the Organization directly to the DPR.

The Pavilion suffered significant damage from SuperStorm Sandy. The Organization and the food and beverage concessionaire are negotiating a possible arrangement, whereby the concessionaire would contract for necessary repairs and deduct those costs from future rental payments. If negotiations are not successful, the Organization will need to make other arrangements for the cost of necessary repairs.

d - As of December 31, 2012 and 2011, projects in progress were comprised of the following:

	<u>2012</u>	<u>2011</u>
SeaGlass Carousel	\$7,122,610	\$6,531,583
Battery Playspace	<u>266,194</u>	<u>266,194</u>
	<u>\$7,388,804</u>	<u>\$6,797,777</u>

Note 8 - Commitments and Contingencies

a - The Organization was obligated under the terms of a lease for office space at One NY Plaza through June 30, 2015. The landlord's affiliate agreed to make a charitable contribution to the Organization of \$4,384 per month for the entire term of the lease.

THE BATTERY CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

Note 8 - Commitments and Contingencies (continued)

a - (continued)

Due to Hurricane Sandy, the offices at One NY Plaza were completely destroyed, and the Organization entered into a new lease beginning December 4, 2012 at One Whitehall Street. The new monthly rent is \$6,442 through November 30, 2014 and \$7,730 through November 29, 2017.

The Organization's future minimum rental obligation under the lease is as follows:

<u>Year Ending December 31,</u>	
2013	\$77,300
2014	78,588
2015	92,760
2016	92,760
2017	85,030

b - The Organization utilizes additional donated office and storage space which is valued at approximately \$49,000 during both the years ended 2012 and 2011.

c - The Battery Conservancy, Inc. was involved in a lawsuit stemming from a complaint by a former consultant alleging copyright infringement, breach of contract and other causes of action. In 2011, the Organization agreed to pay \$10,000 in full settlement of the lawsuit.

Note 9 - Concentration

During the years ended December 31, 2012 and 2011, contributions from two different individual donors represented approximately 14% and 11%, respectively, of total contributions. At December 31, 2012, the individual donor's unconditional promise to give represented 50% of the total.

THE BATTERY CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

Note 10 - Donated Furniture, Services and Use of Facilities

During the years ended December 31, 2012 and 2011, the Organization received the following donated services and use of facilities:

	<u>2012</u>	<u>2011</u>
Legal fees	\$323,585	\$312,686
Consulting	5,000	-
Office furniture	90,000	-
Rent	<u>93,162</u>	<u>101,929</u>
	<u>\$511,747</u>	<u>\$414,615</u>

The above amounts have been reflected in the financial statements using fair values provided by the donors.

Note 11 - Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and the supporting services.

SUPPLEMENTARY INFORMATION



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**INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTARY INFORMATION**

To the Board of Trustees of
The Battery Conservancy, Inc.

We have audited the financial statements of The Battery Conservancy, Inc. as of and for the years ended December 31, 2012 and 2011, and our report thereon dated May 23, 2013, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses for the year ended December 31, 2012 with comparative totals for 2011 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lutz + Carr, LLP

New York, New York
May 23, 2013

THE BATTERY CONSERVANCY, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2012 WITH COMPARATIVE TOTALS FOR 2011

	Program Services	Supporting Services			2012	2011
	Battery Park Programs	Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries	\$ 775,854	\$ 67,050	\$ 114,941	\$181,991	\$ 957,845	\$ 803,855
Payroll taxes	56,276	4,863	8,337	13,200	69,476	61,486
Employee benefits	112,123	9,689	16,611	26,300	138,423	96,681
Park maintenance	201,033	9,379	4,722	14,101	215,134	126,239
Architect fees	6,898	-	-	-	6,898	3,412
Consultants	358,089	49,021	40,500	89,521	447,610	426,340
Telephone	9,489	3,911	-	3,911	13,400	14,049
Advertising and promotion	33,834	3,961	8,089	12,050	45,884	23,810
Office supplies	51,873	4,483	7,685	12,168	64,041	23,737
Postage, mailing and delivery	7,764	671	1,150	1,821	9,585	9,285
Insurance	-	41,301	-	41,301	41,301	39,047
Indirect benefit expenses	-	-	21,419	21,419	21,419	13,819
Travel and entertainment	17,607	2,031	6,286	8,317	25,924	8,545
Accounting	-	62,293	-	62,293	62,293	27,797
Occupancy	109,684	9,478	16,250	25,728	135,412	140,710
Miscellaneous expense	6,608	20,397	1,668	22,065	28,673	26,518
Total expenses before depreciation	1,747,132	288,528	247,658	536,186	2,283,318	1,845,330
Depreciation	386,351	18,158	-	18,158	404,509	239,754
Total Expenses	2,133,483	306,686	247,658	554,344	2,687,827	2,085,084
Less: Donated Legal Services	(323,585)	-	-	-	(323,585)	(312,686)
Total Expenses Per the Statement of Activities, 2012	<u>\$ 1,809,898</u>	<u>\$ 306,686</u>	<u>\$ 247,658</u>	<u>\$554,344</u>	<u>\$2,364,242</u>	
Total Expenses Per the Statement of Activities, 2011	<u>\$ 1,391,615</u>	<u>\$ 187,823</u>	<u>\$ 192,960</u>	<u>\$380,783</u>		<u>\$1,772,398</u>

See independent auditors' report on supplementary information.