

THE BATTERY CONSERVANCY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018



LUTZ AND GARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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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, 2019 and 2018, and the related statements of activities, functional expenses 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 12 to the financial statements, in March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, the Organization has suspended some of its program activities at the direction of state and local governmental authorities. Our opinion is not modified with respect to this matter.

Lotz + Carr, LLP

New York, New York
May 13, 2020

THE BATTERY CONSERVANCY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents (Notes 1b and 5)		
Without Donor Restrictions		
Other	\$ 777,754	\$ 3,698,873
Board designated endowment (Note 3a)	-	1,011,788
With Donor Restrictions		
Time and purpose restrictions	-	3,647,500
Perpetual in nature (Note 3b)	-	90,000
	<u>777,754</u>	<u>8,448,161</u>
Restricted cash - SeaGlass capital reserve fund (Note 1n and 8d)	547,004	534,338
Investments (Notes 1c and 6)		
Without donor restrictions (Note 3a)	5,748,698	1,277,395
With donor restrictions		
Time and purpose restrictions	3,647,500	-
Perpetual in nature (Note 3b)	90,000	-
Unconditional promises to give (Notes 1d, 7 and 10)		
Without donor restrictions	25,025	661,556
Accounts receivable	6,000	26,655
Prepaid expenses	59,830	56,104
Property and equipment and reimbursable advances, at cost, net of accumulated depreciation (Notes 1e and 8)	<u>7,332,418</u>	<u>7,979,957</u>
Total Assets	<u><u>\$18,234,229</u></u>	<u><u>\$18,984,166</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 94,461	\$ 126,799
Security deposit payable (Note 8)	<u>115,000</u>	<u>115,000</u>
Total Liabilities	<u>209,461</u>	<u>241,799</u>
Commitment and Contingency (Notes 9 and 12)		
Net Assets		
Without Donor Restrictions		
Board designated endowment (Notes 3a and 4)	1,011,788	1,011,788
Other	<u>13,275,480</u>	<u>13,993,079</u>
Total Without Donor Restrictions	<u>14,287,268</u>	<u>15,004,867</u>
With Donor Restrictions		
Time and purpose restrictions (Note 3b)	3,647,500	3,647,500
Perpetual in nature (Notes 3b and 4)	90,000	90,000
Total With Donor Restrictions	<u>3,737,500</u>	<u>3,737,500</u>
Total Net Assets	<u>18,024,768</u>	<u>18,742,367</u>
Total Liabilities and Net Assets	<u><u>\$18,234,229</u></u>	<u><u>\$18,984,166</u></u>

See notes to financial statements.

THE BATTERY CONSERVANCY, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Changes in Net Assets Without Donor Restrictions		
Revenues, Gains and Other Support		
Contributions (Note 10)	\$ 507,576	\$ 3,203,833
Fundraising benefits	1,674,470	1,887,695
Less: Direct costs benefiting donors	(169,553)	(379,914)
Other event income	63,000	9,000
Donated services (Note 11)	212,364	107,418
Database income	967	4,469
Concession income (net payments made to DPR of \$84,590 (2019) (Note 8d)	81,906	4,687
Royalties	719	92
SeaGlass revenue (Note 8d)	-	145,760
Net investment income (Note 6)	299,363	51,552
Miscellaneous income	720	1,551
	<u>2,671,532</u>	<u>5,036,143</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	<u>40,000</u>	<u>40,000</u>
Total Revenues, Gains and Other Support	<u>2,711,532</u>	<u>5,076,143</u>
Expenses		
Program Services		
Park Programs	<u>2,538,190</u>	<u>2,582,272</u>
Supporting Services		
Management and general	392,538	371,526
Fundraising	314,142	275,961
Total Supporting Services	<u>706,680</u>	<u>647,487</u>
Total Expenses	<u>3,244,870</u>	<u>3,229,759</u>
Increase (Decrease) in Net Assets Without Donor Restrictions Before Donated Legal Services	(533,338)	1,846,384
Donated legal services relating to licensing and sublicensing (Note 11)	<u>(184,261)</u>	<u>(72,000)</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	<u>(717,599)</u>	<u>1,774,384</u>
Changes in Net Assets With Donor Restrictions		
Contributions (Notes 1d and 10)	40,000	60,000
Net assets released from restrictions	<u>(40,000)</u>	<u>(40,000)</u>
Increase in Net Assets With Donor Restrictions	<u>-</u>	<u>20,000</u>
Increase (decrease) in net assets	(717,599)	1,794,384
Net assets, beginning of year	<u>18,742,367</u>	<u>16,947,983</u>
Net Assets, End of Year	<u><u>\$18,024,768</u></u>	<u><u>\$18,742,367</u></u>

See notes to financial statements.

THE BATTERY CONSERVANCY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019					2018				
	Program Services	Supporting Services			Total Expenses	Program Services	Supporting Services			Total Expenses
	Park Programs	Management and General	Fundraising	Total		Park Programs	Management and General	Fundraising	Total	
Salaries	\$1,069,395	\$ 150,812	\$ 150,812	\$301,624	\$1,371,019	\$ 949,501	\$ 120,190	\$ 132,209	\$252,399	\$1,201,900
Payroll taxes	76,502	10,789	10,789	21,578	98,080	68,166	8,629	9,491	18,120	86,286
Employee benefits	240,691	33,944	33,944	67,888	308,579	194,357	24,602	27,062	51,664	246,021
Park and office maintenance	315,874	-	6,057	6,057	321,931	371,892	9,573	2,485	12,058	383,950
Consultants	236,167	537	49,482	50,019	286,186	108,625	2,158	10,004	12,162	120,787
Telephone	-	7,706	-	7,706	7,706	-	9,019	-	9,019	9,019
Advertising and promotion	764	12,184	8,009	20,193	20,957	745	5,448	34,551	39,999	40,744
Office supplies	60,744	8,566	8,566	17,132	77,876	79,905	10,115	11,126	21,241	101,146
Postage, mailing and delivery	266	162	17,887	18,049	18,315	9,399	1,190	1,309	2,499	11,898
Insurance	-	24,459	-	24,459	24,459	-	31,061	-	31,061	31,061
Indirect benefit expenses	-	-	10,878	10,878	10,878	-	-	24,719	24,719	24,719
Travel and entertainment	2,267	2,646	1,961	4,607	6,874	4,110	2,526	4,026	6,552	10,662
Accounting	-	84,085	-	84,085	84,085	-	69,830	-	69,830	69,830
Occupancy	52,089	7,346	7,346	14,692	66,781	51,498	6,518	7,171	13,689	65,187
Miscellaneous expense	8,600	14,354	8,411	22,765	31,365	6,765	11,560	11,808	23,368	30,133
Bad debt	-	-	-	-	-	-	22,500	-	22,500	22,500
Total expenses before depreciation	2,063,359	357,590	314,142	671,732	2,735,091	1,844,963	334,919	275,961	610,880	2,455,843
Depreciation	659,092	34,948	-	34,948	694,040	809,309	36,607	-	36,607	845,916
Total Expenses	2,722,451	392,538	314,142	706,680	3,429,131	2,654,272	371,526	275,961	647,487	3,301,759
Less: Donated Legal Services	(184,261)	-	-	-	(184,261)	(72,000)	-	-	-	(72,000)
Total Expenses, Per the Statement of Activities	<u>\$2,538,190</u>	<u>\$ 392,538</u>	<u>\$ 314,142</u>	<u>\$706,680</u>	<u>\$3,244,870</u>	<u>\$2,582,272</u>	<u>\$ 371,526</u>	<u>\$ 275,961</u>	<u>\$647,487</u>	<u>\$3,229,759</u>

See notes to financial statements.

THE BATTERY CONSERVANCY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (717,599)	\$1,794,384
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	694,040	845,916
Unrealized (gains) losses on investments	(133,620)	7,575
Bad debt	-	22,500
(Increase) decrease in:		
Unconditional promises to give	636,531	(645,856)
Accounts receivable	20,655	10,540
Prepaid expenses	(3,726)	(10,784)
Security deposit	-	11,273
Increase (decrease) in:		
Accounts payable and accrued expenses	(32,338)	(549)
Deferred revenue	-	(4,686)
Net Cash Provided By Operating Activities	<u>463,943</u>	<u>2,030,313</u>
Cash Flows From Investing Activities		
Additions to property and equipment and refundable advances	(46,501)	(19,721)
Purchase of investments	(13,313,622)	(22,249)
Proceeds from sales of investments and maturities of certificates of deposit	5,238,439	658,032
Net Cash Provided (Used) By Investing Activities	<u>(8,121,684)</u>	<u>616,062</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	(7,657,741)	2,646,375
Cash, cash equivalents and restricted cash, beginning of year	<u>8,982,499</u>	<u>6,336,124</u>
Cash, Cash Equivalents and Restricted Cash, End of Year	<u>\$ 1,324,758</u>	<u>\$8,982,499</u>

See notes to financial statements.

THE BATTERY CONSERVANCY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2019 AND 2018****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 The Battery, Manhattan's birthplace 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 net assets without donor restrictions unless their use is donor 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 net assets without donor restrictions 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 reflect the assumptions developed by the Organization 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, 2019 AND 2018****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 net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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

f - Donated Services

Donated and contributed services, which require specialized skills and which the Organization would have to pay for if not donated, are recorded at the estimated fair value at the time services are rendered.

g - Revenue Recognition

Park usage event fees and other event revenue is recognized as revenue in the period that the park usage or event takes place. Sublicensing and concession revenue are recognized in the period in which the concession revenue is earned by the sublicensee.

h - Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

THE BATTERY CONSERVANCY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2019 AND 2018****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****h - Financial Statement Presentation (continued)****Net Assets With Donor Restrictions**

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or the passage of time. Other donor restrictions are perpetual in nature, whereby, the donor has stipulated the funds be maintained in perpetuity.

i - Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly to programs where applicable or allocated on a reasonable and consistent basis. A substantial portion of the Organization's expenses are directly related to program activities. The expenses that are allocated include general office expenses, park maintenance, salaries, payroll taxes and employee benefits which are allocated based on employee time and effort.

j - 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.

k - 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.

l - Prior Year Information

For comparability, certain 2018 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2019.

m - Subsequent Events

The Organization has evaluated subsequent events through May 13, 2020, the date that the financial statements are considered available to be issued.

n - New Accounting Pronouncements

For 2019, the Organization has adopted Accounting Standards Update (ASU) No 2014-09, *Revenue from Contracts with Customers* (Topic 606), and ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605). Analysis of the various provisions of these standards resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

THE BATTERY CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

n - New Accounting Pronouncements (continued)

In 2019, the Organization adopted Accounting Standards Update (ASU) No. 2016-18 *Statement of Cash Flows (Topic 230)*. ASU 2016-18 provides guidance on restricted cash when preparing the statement of cash flows. Generally accepted accounting principles (GAAP) will now require restricted cash accounts to be included with cash in the beginning-of-period and end-of-period cash balances.

The following table provides a reconciliation of cash and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows at December 31.

	2019	2018
Cash	\$ 777,754	\$8,448,161
Restricted cash	547,004	534,338
Total Cash and Restricted Cash Shown in the Statement of Cash Flows	\$1,324,758	\$8,982,499

Note 2 - Information Regarding Liquidity and Availability

The Organization operates with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. A substantial portion of annual revenue is comprised of contribution revenue raised during the current year, and revenue from other sources earned during the year. The Organization considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to general and administrative and fundraising activities undertaken to support those services.

The Organization regularly monitors liquidity to meet its operating needs and other commitments and obligations, while seeking to maximize the investment of its available funds. Management prepares regular cash flow projections to determine liquidity needs, and has a policy to maintain liquid financial assets on an ongoing basis sufficient to cover ninety days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds, and other short-term investments.

THE BATTERY CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 2 - Information Regarding Liquidity and Availability (continued)

The Organization's financial assets as of December 31 and those available within one year to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2019</u>	<u>2018</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 1,324,758	\$ 8,982,499
Investments	9,486,198	1,277,395
Unconditional promises to give	25,025	661,556
Accounts receivable	<u>6,000</u>	<u>26,655</u>
Total Financial Assets	10,841,981	10,948,105
Less: Amounts not Available to be Used within One Year:		
Net assets with donor restrictions, subject to expenditure for specific purpose or passage of time	(3,647,500)	(3,647,500)
Plus: Net assets with donor restrictions expected to be met and released from restriction in less than one year	2,000,000	560,000
Net assets with donor restrictions for endowment, subject to spending policy and appropriation	(90,000)	(90,000)
Plus: Endowment appropriations for use in operations within one year	16,250	4,600
Net assets without donor restrictions, subject to spending policy and appropriation	(1,558,792)	(1,546,126)
Plus: Amounts appropriated for use within one year (see below)	<u>-</u>	<u>22,000</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 7,561,939</u>	<u>\$ 6,251,079</u>

In addition to these financial assets available within one year, the Organization maintains a board designated endowment of \$1,011,788. The endowment, which is invested under the direction of the Finance Committee, could be made available at any time to meet cash needs for general expenditures at the discretion of the Board of Trustees.

THE BATTERY CONSERVANCY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2019 AND 2018****Note 3 - Net Assets****a - Net Assets Without Donor Restrictions - Board Designated Endowment**

In April 2002, the Organization received a without donor restrictions grant of \$1,000,000 from the Verizon Foundation. The Board of Trustees 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.

The Organization's Board of Trustees transferred an additional \$11,788 to the fund in 2000.

b - Net Assets With Donor Restrictions**Time and Purpose Restrictions**

Net assets restricted for future programs and periods include a gift of \$3,000,000 restricted to the shared costs of special features of Playscape. In 2019, the Organization spent the last of the funds raised in 2012-2013 for recovery from SuperStorm Sandy.

Perpetual in Nature

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

Note 4 - Endowment Funds

The Organization's endowments consist of two individual funds, comprised of corporate bonds and U.S. Treasury Securities, established for specific purposes. The endowments include both a donor-restricted endowment fund and a fund designated by the Board of Trustees to function as an endowment. Net assets associated with the endowment funds, including funds designated by the Board of Trustees to function as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of earnings while seeking to maintain the purchasing power of the endowment assets. Endowment assets consist of donor-restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce consistent results while assuming a low level of investment risk.

THE BATTERY CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 4 - Endowment Funds (continued)

The Organization has a policy of appropriating for distribution each year an amount equal to the results on its invested funds.

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 net assets with donor restrictions (a) the original value of gifts donated to the donor restricted - perpetual in nature endowment, (b) the original value of subsequent gifts to the donor restricted endowment and (c) accumulations to the donor restricted 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 as perpetual in nature is classified as time and purpose 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 Organization's endowment funds composition, by type of fund and net asset classification, are summarized as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
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>

THE BATTERY CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 4 - Endowment Funds (continued)

	2018		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</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, 2019 and 2018 are summarized as follows:

	2019		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment funds, beginning of year	\$1,011,788	\$90,000	\$1,101,788
Interest	16,250	-	16,250
Appropriation of endowment assets for expenditure	<u>(16,250)</u>	<u>-</u>	<u>(16,250)</u>
Endowment Funds, End of Year	<u>\$1,011,788</u>	<u>\$90,000</u>	<u>\$1,101,788</u>

	2018		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment funds, beginning of year	\$1,011,788	\$90,000	\$1,101,788
Interest	4,606	-	4,606
Appropriation of endowment assets for expenditure	<u>(4,606)</u>	<u>-</u>	<u>(4,606)</u>
Endowment Funds, End of Year	<u>\$1,011,788</u>	<u>\$90,000</u>	<u>\$1,101,788</u>

Note 5 - Concentration of Credit Risk

The Organization maintains its cash balances at two banks located in New York, New York.

THE BATTERY CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 6 - Investments

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

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual Fund Vanguard				
Short-Term - Treasury	\$ -	\$ -	\$1,049,483	\$1,023,828
Certificates of deposit	-	-	253,567	253,567
Money Market Funds	133,727	133,727	-	-
Corporate bonds - fixed income	4,777,145	4,827,870	-	-
U.S Treasury securities - fixed income	4,449,681	4,494,540	-	-
Exchange-traded Products	<u>30,216</u>	<u>30,061</u>	<u>-</u>	<u>-</u>
	<u>\$9,390,769</u>	<u>\$9,486,198</u>	<u>\$1,303,050</u>	<u>\$1,277,395</u>

Net investment income consists of:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$181,375	\$59,127
Realized gain on sale of investments	12,536	-
Unrealized gain (loss) on investments	121,084	(7,575)
Investment fees	<u>(15,632)</u>	<u>-</u>
	<u>\$299,363</u>	<u>\$51,552</u>

Note 7 - Unconditional Promises to Give

Unconditional promises to give are due within one year. Uncollectible promises are expected to be insignificant.

THE BATTERY CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 8 - Property and Equipment

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

	<u>Life</u>	<u>2019</u>	<u>2018</u>
Office furniture and equipment	5 years	\$ 55,161	\$ 185,116
Park furniture and equipment	3-15 years	795,409	747,661
Website	3 years	66,150	66,150
Improvements - Castle Clinton	15 years	34,319	34,319
Tenant Improvements	Life of Lease	178,016	48,061
Bosque	10 years	107,767	92,867
Reimbursable advances (Note 8b)	8 years	7,355	83,729
New Amsterdam Plein and Pavilion (Note 8c)	7 years	2,187,355	2,187,355
SeaGlass Carousel (Note 8d)	13.5 years	8,503,829	8,503,830
Projects in progress (Note 8e)		<u>1,092,074</u>	<u>1,031,846</u>
		13,027,435	12,980,934
Less: Accumulated depreciation		<u>(5,695,017)</u>	<u>(5,000,977)</u>
		<u>\$ 7,332,418</u>	<u>\$ 7,979,957</u>

b - The Organization constructed two food kiosks within the Bosque Gardens in The Battery, 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, 2019, the Organization has been reimbursed \$513,851 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, 2019 and 2018 are comprised of the following:

	<u>2019</u>	<u>2018</u>
Construction costs	\$521,206	\$521,206
Reimbursements	<u>(513,851)</u>	<u>(437,477)</u>
	<u>\$ 7,355</u>	<u>\$ 83,729</u>

Effective June 1, 2018, the Organization sublicensed the operations of two food kiosks to a third party, and in accordance with the terms of the DPR license agreement, retains sublicensing revenue to provide services for the maintenance and/or improvement of the licensed premises. The agreed upon value of such service is 12 % of gross receipts against a guaranteed annual minimum of \$40,000 with annual escalation of 1%.

THE BATTERY CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 8 - 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, which it operates and maintains under a license agreement with The City of New York's Department of Parks and Recreation ("DPR"), expired on May 26, 2019 pending renewal. 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, retains 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.
- d - The SeaGlass Carousel (the "Carousel") opened for operations in August 2015, which the Organization operates and maintains under a license agreement with The City of New York's Department of Parks and Recreation ("DPR") for the period August 20, 2015 to February 25, 2017, renewable for twelve (12) one-year periods. Effective May 8, 2015, the Organization sublicensed the operations of the Carousel to a third party through August 20, 2020, renewable for five (5) one-year periods. In accordance with the terms of the DPR license agreement, the Organization retains 15% of gross receipts from the sublicensed operator, or a Minimum Guaranteed Fee ("MGF"), whichever is greater, for each operating year. The Organization is required to apply revenue from the SeaGlass licensed premises (as defined), to the extent available, to fund a SeaGlass Capital Reserve Fund (the "Reserve"). At times when the Reserve balance equals a target amount of \$500,000 (adjusted each year by CPI), the annual revenue (in excess of any required transfers to the Reserve) up to \$1,000,000 is applied 50% to the Organization and 50% to DPR, and amounts greater than \$1,000,000 is paid 100% to DPR.
- e - As of December 31, 2019 and 2018, Battery Playscape represented projects in progress of \$1,092,074 and \$1,031,846, respectively.

Note 9 - Commitment

The Organization rents office space at One Whitehall Street. The monthly rent is \$4,811 through November 30, 2022.

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

<u>Year Ending December 31,</u>	
2020	\$57,730
2021	57,730
2022	52,919

THE BATTERY CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 10 - Concentration

For the year ended December 31, 2019, contributions from three individual donors represented approximately 28% of total contributions. During the year ended December 31, 2018, contributions from one individual represented approximately 82% of total contribution. At December 31, 2018, one contributor represented 97% of the total unconditional promises to give.

Note 11 - Donated Services

During the years ended December 31, 2019 and 2018, the Organization received the following donated services:

	<u>2019</u>	<u>2018</u>
Legal	\$184,261	\$ 72,000
Audit	3,103	418
Horticultural	25,000	35,000
Branding	-	-
	<u>\$212,364</u>	<u>\$107,418</u>

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

Note 12 - Subsequent Event

In March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, the Organization has suspended some of its program activities at the direction of state and local governmental authorities. While management is currently evaluating the potential impact that the resulting economic uncertainties may have on the Organization, it believes that its current financial assets are sufficient to support the Organization's operations on an ongoing basis.