

THE BATTERY CONSERVANCY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020



LUTZ AND CARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Battery Conservancy, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Battery Conservancy, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Battery Conservancy, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Battery Conservancy, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Lutz + Carr, LLP

New York, New York
June 2, 2022

THE BATTERY CONSERVANCY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents (Notes 1b, 4 and 6)		
Without donor restrictions	\$ 1,814,944	\$ 1,449,688
With donor restrictions	232,500	123,000
Restricted cash - SeaGlass capital reserve fund (Notes 4, 6 and 9d)	565,791	547,004
Investments (Notes 1c and 7)		
Without donor restrictions (Note 3a)	5,736,282	5,688,981
With donor restrictions		
Time and purpose restrictions	2,317,058	3,587,500
Perpetual in nature (Note 3b)	90,000	90,000
Unconditional promises to give (Notes 1d and 8)		
Without donor restrictions	214,238	-
With donor restrictions	12,500	-
Accounts receivable	9,694	9,463
Prepaid expenses	84,416	86,567
Property and equipment and reimbursable advances, at cost, net of accumulated depreciation (Notes 1e and 9)	<u>7,112,648</u>	<u>6,996,137</u>
Total Assets	<u><u>\$18,190,071</u></u>	<u><u>\$18,578,340</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 201,347	\$ 225,418
Security deposit payable	<u>115,000</u>	<u>115,000</u>
Total Liabilities	<u>316,347</u>	<u>340,418</u>
Commitments and Contingency (Notes 10, 14 and 15)		
Net Assets		
Without Donor Restrictions		
Board designated endowment (Notes 3a and 5)	1,011,788	1,011,788
Other	<u>14,209,878</u>	<u>13,425,634</u>
Total Without Donor Restrictions	<u>15,221,666</u>	<u>14,437,422</u>
With Donor Restrictions		
Time and purpose restrictions (Note 3b)	2,562,058	3,710,500
Perpetual in nature (Notes 3b and 5)	<u>90,000</u>	<u>90,000</u>
Total With Donor Restrictions	<u>2,652,058</u>	<u>3,800,500</u>
Total Net Assets	<u>17,873,724</u>	<u>18,237,922</u>
Total Liabilities and Net Assets	<u><u>\$18,190,071</u></u>	<u><u>\$18,578,340</u></u>

See notes to financial statements.

THE BATTERY CONSERVANCY, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Changes in Net Assets Without Donor Restrictions		
Revenues, Gains and Other Support		
Contributions (Note 12)	\$ 831,358	\$ 2,241,525
Loan forgiveness - Paycheck Protection Program (Note 11)	313,100	312,900
Fundraising benefits	1,418,881	-
Less: Direct costs benefiting donors	(137,163)	-
Donated services (Note 13)	35,053	31,209
Database income	1,085	1,382
Concession income (net payments made to DPR of \$28,736 (2021) (Note 9d)	61,802	3,365
Royalties	670	-
Net investment income (loss) (Note 7)	(106,003)	375,637
Miscellaneous income	3,250	291
	<u>2,422,033</u>	<u>2,966,309</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	<u>1,393,442</u>	<u>60,000</u>
Total Revenues, Gains and Other Support	<u>3,815,475</u>	<u>3,026,309</u>
Expenses		
Program Services		
Park Programs	<u>2,536,700</u>	<u>2,362,140</u>
Supporting Services		
Management and general	337,700	339,600
Fundraising	<u>156,831</u>	<u>174,415</u>
Total Supporting Services	<u>494,531</u>	<u>514,015</u>
Total Expenses	<u>3,031,231</u>	<u>2,876,155</u>
Increase in Net Assets Without Donor Restrictions	<u>784,244</u>	<u>150,154</u>
Changes in Net Assets With Donor Restrictions		
Contributions (Note 12)	245,000	123,000
Net assets released from restrictions	<u>(1,393,442)</u>	<u>(60,000)</u>
Increase (Decrease) in Net Assets With Donor Restrictions	<u>(1,148,442)</u>	<u>63,000</u>
Increase (decrease) in net assets	(364,198)	213,154
Net assets, beginning of year	<u>18,237,922</u>	<u>18,024,768</u>
Net Assets, End of Year	<u><u>\$17,873,724</u></u>	<u><u>\$18,237,922</u></u>

See notes to financial statements.

THE BATTERY CONSERVANCY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021					2020				
	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	\$ 939,790	\$ 127,625	\$ 92,819	\$220,444	\$1,160,234	\$ 951,086	\$ 131,564	\$ 103,686	\$235,250	\$1,186,336
Payroll taxes	67,834	9,211	6,700	15,911	83,745	67,495	9,337	7,358	16,695	84,190
Employee benefits	221,406	30,068	21,867	51,935	273,341	205,137	28,377	22,364	50,741	255,878
Park and office maintenance	403,667	422	-	422	404,089	248,892	2,120	-	2,120	251,012
Consultants	40,814	26,882	4,752	31,634	72,448	11,210	11,101	1,395	12,496	23,706
Technology service and equipment	67,337	9,144	6,651	15,795	83,132	85,727	11,859	9,346	21,205	106,932
Advertising and promotion	2,201	460	2,685	3,145	5,346	7,657	3,175	419	3,594	11,251
Office supplies	-	372	4,195	4,567	4,567	2,115	293	231	524	2,639
Postage, mailing and delivery	211	601	1,308	1,909	2,120	962	1,144	1,072	2,216	3,178
Insurance	-	31,624	2,100	33,724	33,724	268	27,385	-	27,385	27,653
Travel and entertainment	2,406	4,009	1,710	5,719	8,125	2,569	114	-	114	2,683
Accounting	-	69,520	-	69,520	69,520	-	64,334	-	64,334	64,334
Occupancy	50,560	6,866	4,994	11,860	62,420	49,436	6,839	5,389	12,228	61,664
Miscellaneous expense	7,775	3,401	7,050	10,451	18,226	2,945	3,106	2,130	5,236	8,181
Bad debt	-	-	-	-	-	-	-	21,025	21,025	21,025
Total expenses before depreciation	1,804,001	320,205	156,831	477,036	2,281,037	1,635,499	300,748	174,415	475,163	2,110,662
Depreciation	732,699	17,495	-	17,495	750,194	726,641	38,852	-	38,852	765,493
Total Expenses	<u>\$2,536,700</u>	<u>\$ 337,700</u>	<u>\$ 156,831</u>	<u>\$494,531</u>	<u>\$3,031,231</u>	<u>\$2,362,140</u>	<u>\$ 339,600</u>	<u>\$ 174,415</u>	<u>\$514,015</u>	<u>\$2,876,155</u>

See notes to financial statements.

THE BATTERY CONSERVANCY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (364,198)	\$ 213,154
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	750,194	765,493
Realized and unrealized (gains) losses on investments	213,985	(223,728)
Bad debt	-	21,025
(Increase) decrease in:		
Unconditional promises to give	(226,738)	4,000
Accounts receivable	(231)	(3,463)
Prepaid expenses	2,151	(26,737)
Increase (decrease) in accounts payable and accrued expenses	(24,071)	32,832
Net Cash Provided By Operating Activities	<u>351,092</u>	<u>782,576</u>
Cash Flows From Investing Activities		
Additions to property and equipment	(866,705)	(331,087)
Purchase of investments	(4,079,194)	(8,018,649)
Proceeds from sales of investments and maturities of certificates of deposit	5,088,350	8,362,094
Net Cash Provided By Investing Activities	<u>142,451</u>	<u>12,358</u>
Net increase in cash, cash equivalents and restricted cash	493,543	794,934
Cash, cash equivalents and restricted cash, beginning of year	<u>2,119,692</u>	<u>1,324,758</u>
Cash, Cash Equivalents and Restricted Cash, End of Year	<u><u>\$2,613,235</u></u>	<u><u>\$2,119,692</u></u>

See notes to financial statements.

THE BATTERY CONSERVANCY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2021 AND 2020****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, 2021 AND 2020****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. Conditional promises to give, that have a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. 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.

The Organization uses the allowance method to determine uncollectible promises to give. The allowance, when necessary, is based on prior years' experience and management's analysis of specific promises made.

e - Property and Equipment

The Organization does not own the Battery's 25-acre landscape or any of the features, structures, or improvements to it. The Organization maintains and operates the Battery pursuant to a licensing agreement with the City of New York. All land and improvements are property of the City of New York. Certain improvements to the licensed premises, donated by the Organization to the City of New York to further the Organization's mission and programmatic activities are capitalized and depreciated within the Organization's financial statements.

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.

THE BATTERY CONSERVANCY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2021 AND 2020****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****g - Revenue Recognition**

The Organization has revenue streams that are accounted for as exchange transactions, including park usage and other event fees and concession sublicensing revenue. The Organization recognizes revenue at the point or over the period during which the related performance obligations are satisfied. All of the Organization's revenue from contracts with customers is for a distinct performance obligation satisfied at a point in time and does not consist of multiple transactions.

h - Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States, 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 Trustees.

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.

THE BATTERY CONSERVANCY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2021 AND 2020****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****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 - Subsequent Events

The Organization has evaluated subsequent events through June 2, 2022, the date that the financial statements are considered available to be issued.

m - Prior Year Information

For comparability, certain 2020 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2021.

n - New Accounting Standard

In February 2016, the FASB issued ASU 2016-02, *Leases ("Topic 842")*. The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statement of financial position for all leases with terms longer than 12 months and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact of ASU 2016-02 on its financial statements.

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, 2021 AND 2020

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>2021</u>	<u>2020</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 2,047,444	\$ 1,572,688
Restricted cash - SeaGlass capital reserve fund	565,791	547,004
Investments	8,143,340	9,366,481
Unconditional promises to give	226,738	-
Accounts receivable	<u>9,694</u>	<u>9,463</u>
Total Financial Assets	10,993,007	11,495,636
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	(2,562,058)	(3,710,500)
Plus: Net assets with donor restrictions expected to be met and released from restriction in less than one year	325,000	123,000
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	22,000	24,985
Net assets without donor restrictions, subject to spending policy and appropriation	<u>(1,577,579)</u>	<u>(1,558,792)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 7,110,370</u>	<u>\$ 6,284,329</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, 2021 AND 2020

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

Net assets with donor restrictions as of December 31 are restricted for future programs and periods as follows:

	<u>2021</u>	<u>2020</u>
Operating		
Subject to expenditure for specified purpose:		
Capital Reserve	\$ 500,000	\$ 500,000
Playscape future enhancements	1,817,058	3,087,500
Playscape programs	205,000	-
Education	40,000	55,000
Horticultural Interns	-	40,000
Improvements and equipment	-	28,000
	<u> </u>	<u> </u>
Total Net Assets With Donor Restrictions	<u>\$2,562,058</u>	<u>\$3,710,500</u>

Time and Purpose Restrictions

Net assets restricted for future programs and periods as of December 31, 2020 include a gift of \$3,000,000 restricted to the shared costs of special features of Playscape. Playscape construction was completed and it opened to the public during the year ended December 31, 2021 (Note 9e), and approximately \$1,263,000 of the restricted gift was released to cover applicable costs. The remaining \$1,737,000 will be used for future Playscape enhancements.

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.

THE BATTERY CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 4 - Cash and Restricted Cash

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.

	2021	2020
Cash	\$2,047,444	\$1,572,688
Restricted cash	565,791	547,004
Total Cash and Restricted Cash Shown in the Statement of Cash Flows	\$2,613,235	\$2,119,692

Note 5 - 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 Organization has a policy of appropriating for distribution each year an amount equal to the results on its invested funds.

THE BATTERY CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 5 - Endowment Funds (continued)

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:

	2021		
	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, 2021 AND 2020

Note 5 - Endowment Funds (continued)

	2020		
	<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, 2021 and 2020 are summarized as follows:

	2021		
	<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	21,386	-	21,386
Appropriation of endowment assets for expenditure	<u>(21,386)</u>	<u>-</u>	<u>(21,386)</u>
Endowment Funds, End of Year	<u>\$1,011,788</u>	<u>\$90,000</u>	<u>\$1,101,788</u>

	2020		
	<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	24,985	-	24,985
Appropriation of endowment assets for expenditure	<u>(24,985)</u>	<u>-</u>	<u>(24,985)</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, 2021 AND 2020

Note 6 - Concentration of Credit Risk

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

Note 7 - Investments

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

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 168,753	\$ 168,753	\$ 244,010	\$ 244,010
Corporate bonds - fixed income	3,166,310	3,179,072	4,201,134	4,321,853
U.S Treasury securities - fixed income	3,692,625	3,635,560	3,746,786	3,783,261
International bonds	<u>1,167,192</u>	<u>1,159,955</u>	<u>1,006,569</u>	<u>1,017,357</u>
	<u>\$8,194,880</u>	<u>\$8,143,340</u>	<u>\$9,198,499</u>	<u>\$9,366,481</u>

Net investment income (loss) consists of:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 112,394	\$162,088
Realized gain on sale of investments	5,537	151,175
Unrealized gain (loss) on investments	(219,522)	72,553
Investment fees	<u>(4,412)</u>	<u>(10,179)</u>
	<u>\$(106,003)</u>	<u>\$375,637</u>

THE BATTERY CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 8 - Unconditional Promises to Give

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

Note 9 - Property and Equipment

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

	<u>Life</u>	<u>2021</u>	<u>2020</u>
Office furniture and equipment	5 years	\$ 58,024	\$ 55,161
Park furniture and equipment	3-15 years	958,206	916,489
Website	3 years	66,150	66,150
Improvements - Castle Clinton	15 years	34,319	34,319
Tenant improvements	Life of Lease	178,016	178,016
Bosque	10 years	107,767	107,767
New Amsterdam Plein and Pavilion (Note 9c)	7 years	2,187,355	2,187,355
SeaGlass Carousel (Note 9d)	13.5 years	8,503,829	8,503,829
Battery Playscape (Note 9e)	15 years	2,229,686	-
Projects in progress (Note 9e)		-	<u>1,407,561</u>
		<u>14,323,352</u>	<u>13,456,647</u>
Less: Accumulated depreciation		<u>(7,210,704)</u>	<u>(6,460,510)</u>
		<u>\$ 7,112,648</u>	<u>\$6,996,137</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, 2020, the Organization has been reimbursed the full construction cost of \$521,206. Beginning January 1, 2021, the Organization is required to remit to DPR the amount of annual sublicensing revenue which exceeds the lesser of \$280,000 or its actual annual garden maintenance costs. For the year ended December 31, 2021, there was no remittance required to DPR.

THE BATTERY CONSERVANCY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2021 AND 2020****Note 9 - Property and Equipment (continued)**

b - (continued)

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. During the year ended December 31, 2020, the Organization accepted a flat fee of \$10,000 due to the impact of COVID-19 restrictions on the kiosk's operations during the 2020 season. The Organization's sublicensing agreement with the third party expired on December 31, 2020.

Effective May 15, 2021, the Organization sublicensed the operations of the two food kiosks to another third party through May 25, 2022, renewable for four (4) one-year periods. In accordance with the terms of the DPR license agreement, the Organization retains 10% of gross receipts from the sublicensed operator, or a Minimum Guaranteed Fee ("MGF"), whichever is greater, for the first operating year, with annual escalations to 11.5% of gross receipts in the fifth operating year.

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"), scheduled to expire on May 25, 2023. 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. During the years ended December 31, 2021 and 2020, the Organization waived the sublicensing revenue due to the impact of COVID-19 restrictions on the concession's operations during the 2020 and 2021 seasons. The sublicensing agreement expired in February 2022.

In April 2022, the Organization entered into an agreement to sublicense the operations of the concession to another third party through February 25, 2025, with two optional extensions of one year each. The agreement provides for the Organization to receive a Guaranteed Annual Fee, with annual escalations of 5%.

THE BATTERY CONSERVANCY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2021 AND 2020****Note 9 - Property and Equipment (continued)**

- 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. With the current renewal, the agreement remains in effect through May 25, 2023. 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. During the year ended December 31, 2020, the Organization waived the guaranteed minimum fee, and during the year ended December 31, 2021, the Organization accepted a reduced sublicensing fee of 12% of gross receipts, due to the impact of COVID-19 restrictions on the Carousel's operations during the 2020 and 2021 seasons.
- e - As of December 31, 2020, Battery Playscape represented projects in progress of \$1,407,561. In December 2021, construction was completed and Battery Playscape opened.

Note 10 - Commitment

The Organization rents office space at One Whitehall Street. The Organization's future minimum rental obligation through November 30, 2022 is \$52,919.

Note 11 - Loan Forgiveness - Paycheck Protection Program

On April 21, 2020, the Organization received a loan totaling \$312,900 under the Paycheck Protection Program ("PPP") administered by the U.S. Small Business Administration. In November 2020, the Organization received forgiveness of the full loan amount and, accordingly, recognized it as revenue for the year ended December 31, 2020.

THE BATTERY CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 11 - Loan Forgiveness - Paycheck Protection Program (continued)

On February 13, 2021, the Organization received a second PPP loan totaling \$313,100. In October 2021, the Organization received forgiveness of the full loan amount and, accordingly, recognized it as revenue for the year ended December 31, 2021.

Note 12 - Concentration

For the years ended December 31, 2021 and 2020, contributions from two individual donors represented approximately 25% and 62%, respectively, of total contributions.

Note 13 - Donated Services

During the years ended December 31, 2021 and 2020, the Organization received the following donated services:

	<u>2021</u>	<u>2020</u>
Horticultural	\$ 25,000	\$25,000
Audit	<u>10,053</u>	<u>6,209</u>
	<u>\$35,053</u>	<u>\$31,209</u>

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

Note 14 - Retirement Plan

The Organization maintains a defined contribution 401(k) plan for employees that have attained at least age 21 and have completed one year of employment in which the employee works at least 1,000 hours of service. The Organization may elect to make annual discretionary profit sharing contributions to be allocated on behalf of each eligible plan participant. For the years ended December 31, 2021 and 2020, the Organization incurred \$17,206 and \$22,467, respectively, in expenses with regard to this plan.

THE BATTERY CONSERVANCY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2021 AND 2020****Note 15 - Risks and Uncertainties**

In March 2020, the COVID-19 pandemic was declared a national emergency. The Organization immediately furloughed seasonal employees that had been hired two weeks before and directed year-round park employees to stay home until commuting to The Battery was safe, adequate PPE were in hand, and park usage increased. Office-based employees worked remotely. All year-round employees remained on payroll throughout this period, which lasted through much of May. The Organization postponed or canceled many programs and ultimately canceled its two major 2020 fundraising events – the Gala usually held in June and the Gardeners Luncheon usually held in September.

The 2021 Gala and Luncheon were held in September and October respectively. Having received forgiveness of its entire Paycheck Protection Program loan of 2020, the Organization applied for and received full forgiveness for a second such loan in 2021 (Note 11). Since May 2020, the Organization has been maintaining The Battery, including tending its signature gardens. The Organization reintroduced small-scale (COVID-cognizant) programming in July 2020 and during 2021 gradually increased programming further.