

MADISON SQUARE PARK CONSERVANCY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021



LUTZ AND CARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Madison Square Park Conservancy, Inc.

Opinion

We have audited the accompanying financial statements of Madison Square Park Conservancy, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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 Madison Square Park Conservancy, Inc. as of December 31, 2022 and 2021, 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 Madison Square Park 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 Madison Square Park 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 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 Madison Square Park 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 Madison Square Park 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

MADISON SQUARE PARK CONSERVANCY, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents (Notes 1b and 10)		
Without donor restrictions	\$ 1,471,325	\$ 1,759,062
With donor restrictions	1,141,480	1,239,545
Certificates of deposit (Notes 1c and 1d)	315,574	315,141
Contributions receivable (Notes 1e and 5)		
Without donor restrictions	155,689	1,242,683
With donor restrictions	640,420	264,624
Accounts receivable and other assets	13,531	31,656
Prepaid expenses	512,589	338,883
Investments (Notes 1c, 1f and 4)		
Without donor restrictions	66,826	84,960
With donor restrictions	9,658,442	12,240,155
Property and equipment, at cost, net of accumulated depreciation (Notes 1g and 6)	<u>214,027</u>	<u>241,859</u>
Total Assets	<u><u>\$14,189,903</u></u>	<u><u>\$17,758,568</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 427,835	\$ 471,335
Due to The City of New York (Note 11a)	187,314	180,592
Deferred revenue (Note 1h)	74,693	73,229
Refundable advances	2,770	-
Note payable (Note 7)	<u>652,000</u>	<u>-</u>
Total Liabilities	<u>1,344,612</u>	<u>725,156</u>
Commitments and Contingency (Notes 11, 13, and 14)		
Net Assets (Note 3)		
Without donor restrictions	1,404,949	2,311,029
With donor restrictions	<u>11,440,342</u>	<u>14,722,383</u>
Total Net Assets	<u>12,845,291</u>	<u>17,033,412</u>
Total Liabilities and Net Assets	<u><u>\$14,189,903</u></u>	<u><u>\$17,758,568</u></u>

See notes to financial statements.

MADISON SQUARE PARK CONSERVANCY, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Changes in Net Assets						
Revenue and Other Support						
Contributions	\$ 1,612,618	\$ 891,157	\$ 2,503,775	\$ 2,451,659	\$ 869,742	\$ 3,321,401
Reduction of prior year grants	(48,000)	-	(48,000)			
Loan forgiveness - Paycheck Protection Program (Note 9)	-	-	-	471,902	-	471,902
Fundraising benefits	1,151,058	-	1,151,058	512,535	-	512,535
Less: Direct benefit expense	(424,478)	-	(424,478)	(88,924)	-	(88,924)
Park usage event fees	360,000	-	360,000	390,000	-	390,000
Other events	37,500	-	37,500	12,500	-	12,500
Artwork loan fees and commissions	56,250	-	56,250	18,750	-	18,750
Net sublicensing and concession revenue (Notes 11b and 11c)	880,208	-	880,208	862,949	-	862,949
Net investment income (loss) (Note 4)	(80,323)	(1,947,696)	(2,028,019)	20,844	790,554	811,398
Other income	185,727	-	185,727	56,098	-	56,098
Donated services and facilities (Note 13)	15,665	-	15,665	22,612	-	22,612
	<u>3,746,225</u>	<u>(1,056,539)</u>	<u>2,689,686</u>	<u>4,730,925</u>	<u>1,660,296</u>	<u>6,391,221</u>
Net assets released from restrictions						
Satisfaction of program and time restrictions	1,550,502	(1,550,502)	-	932,266	(932,266)	-
Endowment appropriations for use in operations	675,000	(675,000)	-	-	-	-
	<u>5,971,727</u>	<u>(3,282,041)</u>	<u>2,689,686</u>	<u>5,663,191</u>	<u>728,030</u>	<u>6,391,221</u>
Total Revenue and Other Support						
Expenses (Note 11d)						
Program Services	5,025,518	-	5,025,518	3,956,706	-	3,956,706
Supporting Services						
Management and general	1,035,081	-	1,035,081	875,842	-	875,842
Fundraising	654,383	-	654,383	523,019	-	523,019
Total Supporting Services	<u>1,689,464</u>	<u>-</u>	<u>1,689,464</u>	<u>1,398,861</u>	<u>-</u>	<u>1,398,861</u>
Total Expenses	<u>6,714,982</u>	<u>-</u>	<u>6,714,982</u>	<u>5,355,567</u>	<u>-</u>	<u>5,355,567</u>
Increase (Decrease) in Net Assets Before Non-Operating and Capital Activity	(743,255)	(3,282,041)	(4,025,296)	307,624	728,030	1,035,654
Non-Operating and Capital Activity						
Park related improvements	(162,825)	-	(162,825)	(4,384)	-	(4,384)
Increase (decrease) in net assets (Note 3a)	(906,080)	(3,282,041)	(4,188,121)	303,240	728,030	1,031,270
Net assets, beginning of year	2,311,029	14,722,383	17,033,412	2,007,789	13,994,353	16,002,142
	<u>\$ 1,404,949</u>	<u>\$11,440,342</u>	<u>\$12,845,291</u>	<u>\$ 2,311,029</u>	<u>\$14,722,383</u>	<u>\$17,033,412</u>

See notes to financial statements.

MADISON SQUARE PARK CONSERVANCY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022 WITH COMPARATIVE TOTALS FOR 2021

	Program Services				Supporting Services			2022	2021	
	Park Maintenance	Park - Capital Improvements	Art	Sustainability	Total	Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries	\$ 893,648	\$ 24,474	\$ 409,950	\$ 131,482	\$1,459,554	\$ 342,563	\$ 413,349	\$ 755,912	\$2,215,466	\$2,061,317
Payroll taxes	83,066	591	36,810	12,195	132,662	27,493	37,071	64,564	197,226	179,799
Employee benefits	133,981	8,979	48,740	14,869	206,569	150,913	51,825	202,738	409,307	410,412
Consultants and outside service fees	74,857	14,176	-	7,600	96,633	600	300	900	97,533	611,914
Park grounds improvements	162,825	-	-	-	162,825	-	-	-	162,825	4,384
Depreciation	33,483	917	15,360	4,926	54,686	12,834	15,487	28,321	83,007	82,727
Equipment purchases and leases	11,458	-	1,310	1,067	13,835	4,422	-	4,422	18,257	18,327
Event costs - other	-	-	-	-	-	-	102,449	102,449	102,449	42,412
Insurance	6,832	-	13,254	-	20,086	23,359	-	23,359	43,445	41,846
Credit card fees and bank charges	10	17,637	-	-	17,647	29,406	-	29,406	47,053	33,618
Security	364,962	-	1,533	750	367,245	-	-	-	367,245	353,768
Exhibition installation and fabrication	-	850	656,654	-	657,504	-	-	-	657,504	323,605
Performers and technical fees	450	-	6,973	4,250	11,673	-	-	-	11,673	22,725
Landscaping	166,795	41,250	31,778	-	239,823	-	-	-	239,823	182,560
Printing and design	36,410	30,605	50,612	2,892	120,519	60,006	18,331	78,337	198,856	203,608
Professional fees and contracted services	4,202	1,227,800	104,160	467	1,336,629	152,534	-	152,534	1,489,163	196,589
Repairs and maintenance	10,142	-	1,000	-	11,142	27,533	2,577	30,110	41,252	44,908
Supplies	90,317	2,969	47,099	859	141,244	22,097	1,868	23,965	165,209	102,545
Telephone and communications	21,503	-	-	-	21,503	23,983	734	24,717	46,220	59,672
Travel, lodging and hospitality	13,115	-	40,401	512	54,028	1,841	9,229	11,070	65,098	124,926
Donated office space (Note 13)	-	-	-	-	-	150,000	-	150,000	150,000	150,000
Other expenses	44,251	-	14,351	3,934	62,536	5,497	1,163	6,660	69,196	108,289
Total Expenses	2,152,307	1,370,248	1,479,985	185,803	5,188,343	1,035,081	654,383	1,689,464	6,877,807	5,359,951
Less: Park related improvements	(162,825)	-	-	-	(162,825)	-	-	-	(162,825)	(4,384)
Total Expenses Before Non-Operating and Capital Activity, 2022	\$ 1,989,482	\$ 1,370,248	\$1,479,985	\$ 185,803	\$5,025,518	\$ 1,035,081	\$ 654,383	\$1,689,464	\$6,714,982	
Total Expenses Before Non-Operating and Capital Activity, 2021	\$ 1,844,324	\$ 781,020	\$1,146,038	\$ 185,324	\$3,956,706	\$ 875,842	\$ 523,019	\$1,398,861		\$5,355,567

See notes to financial statements.

MADISON SQUARE PARK CONSERVANCY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Program Services					Supporting Services			Total Expenses
	Park Maintenance	Park - Capital Improvements	Art	Sustainability	Total	Management and General	Fundraising	Total	
Salaries	\$ 803,913	\$ 82,453	\$ 412,263	\$ 144,292	\$1,442,921	\$ 288,585	\$ 329,811	\$ 618,396	\$2,061,317
Payroll taxes	71,782	4,290	32,295	13,021	121,388	28,200	30,211	58,411	179,799
Employee benefits	131,776	18,229	46,772	18,829	215,606	143,766	51,040	194,806	410,412
Consultants and outside service fees	69,414	542,500	-	-	611,914	-	-	-	611,914
Park grounds improvements	4,384	-	-	-	4,384	-	-	-	4,384
Depreciation	32,264	-	16,545	5,791	54,600	14,891	13,236	28,127	82,727
Equipment purchases and leases	14,821	-	-	-	14,821	3,506	-	3,506	18,327
Event costs - other	-	-	-	-	-	-	42,412	42,412	42,412
Insurance	6,349	-	11,379	-	17,728	24,118	-	24,118	41,846
Credit card fees and bank charges	322	151	-	-	473	33,095	50	33,145	33,618
Security	351,618	-	2,150	-	353,768	-	-	-	353,768
Exhibition installation and fabrication	-	-	323,605	-	323,605	-	-	-	323,605
Performers and technical fees	2,725	-	20,000	-	22,725	-	-	-	22,725
Landscaping	148,224	17,608	16,728	-	182,560	-	-	-	182,560
Printing and design	51,564	98,069	33,120	2,561	185,314	3,201	15,093	18,294	203,608
Professional fees and contracted services	1,385	9,490	95,500	-	106,375	89,814	400	90,214	196,589
Repairs and maintenance	9,232	-	-	-	9,232	26,114	9,562	35,676	44,908
Supplies	71,192	6,780	13,226	359	91,557	9,836	1,152	10,988	102,545
Telephone and communications	13,578	-	-	-	13,578	44,679	1,415	46,094	59,672
Travel, lodging and hospitality	24,006	-	78,263	283	102,552	2,313	20,061	22,374	124,926
Donated office space (Note 13)	-	-	-	-	-	150,000	-	150,000	150,000
Other expenses	40,159	1,450	44,192	188	85,989	13,724	8,576	22,300	108,289
Total Expenses	1,848,708	781,020	1,146,038	185,324	3,961,090	875,842	523,019	1,398,861	5,359,951
Less: Park related improvements	(4,384)	-	-	-	(4,384)	-	-	-	(4,384)
Total Expenses Before Non-Operating and Capital Activity	<u>\$ 1,844,324</u>	<u>\$ 781,020</u>	<u>\$1,146,038</u>	<u>\$ 185,324</u>	<u>\$3,956,706</u>	<u>\$ 875,842</u>	<u>\$ 523,019</u>	<u>\$1,398,861</u>	<u>\$5,355,567</u>

See notes to financial statements.

MADISON SQUARE PARK CONSERVANCY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$(4,188,121)	\$1,031,270
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	83,007	82,727
Contributions for endowment	(100,000)	-
Reduction of prior year grants	48,000	-
Unrealized (gain) loss on investments	2,174,881	(457,085)
Realized (gain) loss on investments	132,597	(64,271)
(Increase) decrease in:		
Contributions receivable	663,198	557,413
Accounts receivable and other assets	18,125	1,875
Prepaid expenses	(173,706)	(171,931)
Increase (decrease) in:		
Accounts payable and accrued expenses	(43,500)	256,670
Due to The City of New York	6,722	28,930
Deferred revenue	1,464	(4,814)
Refundable advances	2,770	-
Net Cash Provided (Used) By Operating Activities	<u>(1,374,563)</u>	<u>1,260,784</u>
Cash Flows From Investing Activities		
Investment in certificate of deposit	(433)	(309)
Purchase of investments	(2,103,354)	(922,920)
Proceeds from sale of investments	2,395,723	362,368
Purchase of property and equipment	(55,175)	(44,371)
Net Cash Provided (Used) By Investing Activities	<u>236,761</u>	<u>(605,232)</u>
Cash Flows From Financing Activities		
Proceeds from loan payable	652,000	-
Contributions for endowment	100,000	-
Net Cash Provided By Financing Activities	<u>752,000</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(385,802)	655,552
Cash and cash equivalents, beginning of year	<u>2,998,607</u>	<u>2,343,055</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,612,805</u></u>	<u><u>\$2,998,607</u></u>

See notes to financial statements.

MADISON SQUARE PARK CONSERVANCY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2022 AND 2021****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

Madison Square Park Conservancy, Inc. ("MSPC", or the "Organization") is the nonprofit organization responsible for raising 100% of the funds needed to operate and program Madison Square Park on behalf of the City of New York. MSPC believes that everyone deserves access to a park that allows for recreation, respite, and reflection. As stewards, we strive to engage visitors through visionary contemporary art, beautiful gardens, inviting amenities, and thought-provoking programming.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents, except for those managed by the Organization's investment managers as part of their long-term investment strategies.

c - Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-based measurement. Generally accepted accounting principles establish a framework for measuring fair value which maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those the market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset developed based on the best information available in the circumstances. Fair value measurements are categorized into three levels as follows:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 Inputs that are unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

MADISON SQUARE PARK CONSERVANCY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2022 AND 2021****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****d - Certificates of Deposit**

Certificates of deposit are reported at fair value in the statement of financial position. The value of certificates of deposit are based on quoted market prices in active markets and are, therefore, classified within Level 1 of the fair value hierarchy.

e - Contributions

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 fiscal 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. Membership revenue is recognized as contribution revenue as it represents general operating support of the Organization.

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. The Organization receives cost-reimbursement government grants which are conditioned upon incurring allowable qualifying expenses. Amounts are received as revenue when the Organization has incurred expenditures in compliance with specific grant provisions.

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

f - Investments

The Organization reflects investments at fair value in the statement of financial position. Interest, dividends, and realized and unrealized gains and losses are reflected in the statement of activities as increases and decreases in net assets without donor restrictions unless their use is 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 satisfied or expire in the fiscal year in which the gains and other investment income are recognized. All other donor restricted gains and other investment income 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.

g - Property and Equipment

Property and equipment acquired are recorded at cost and are depreciated using the straight-line method over the estimated useful life of the related asset.

MADISON SQUARE PARK CONSERVANCY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2022 AND 2021****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****h - Revenue Recognition**

The Organization has revenue streams that are accounted for as exchange transactions, including park usage and other event fees, artwork loan fees and commissions, 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.

i - 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.

j - 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. Accordingly, actual results could differ from those estimates.

k - 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 depreciation, security, general office expenses, donated office space, salaries, payroll taxes and employee benefits which are allocated based on employee time and effort.

MADISON SQUARE PARK CONSERVANCY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2022 AND 2021****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****l - Tax Status**

Madison Square Park Conservancy, Inc. is a not-for-profit organization 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.

m - Subsequent Events

The Organization has evaluated subsequent events through September 14, 2023, the date that the financial statements are considered available to be issued.

n - New Accounting Standard

For 2022, the Organization adopted FASB ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

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.

MADISON SQUARE PARK CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 2 - Information Regarding Liquidity and Availability (continued)

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

	<u>2022</u>	<u>2021</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 2,612,805	\$ 2,998,607
Certificates of deposit	315,574	315,141
Contributions receivable	796,109	1,507,307
Accounts receivable	-	18,125
Investments	<u>9,725,268</u>	<u>12,325,115</u>
Total Financial Assets	13,449,756	17,164,295
Less: Amounts not Available to be Used within One Year:		
Net assets with donor restrictions	(11,440,342)	(14,722,383)
Less: Net assets with restrictions to be met within one year	752,717	1,519,502
Less: Endowment appropriations for use in operations within one year	<u>228,557</u>	<u>450,000</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 2,990,688</u>	<u>\$ 4,411,414</u>

Note 3 - Net Assets

a - Net Assets Without Donor Restrictions

Board Designated Operating Reserve

The Organization maintains a significant portion of its net assets without donor restrictions as a board designated reserve for operating expenses. Pursuant to the policy adopted by the Board of Trustees, the reserve balance maintained is not to be less than three months of annual operating expenses. As of December 31, 2022, the required reserve was approximately \$1.3 million, based on operating expenses in the Organization's 2022 budget of approximately \$5 million. As of December 31, 2021, the required reserve was approximately \$1 million, based on operating expenses in the Organization's 2021 budget of approximately \$4.1 million. Cash without donor restrictions and certificates of deposit were in excess of the required reserve balance as of December 31, 2022 and 2021.

COVID Relief Reserve Fund

The Board of Trustees approved the designation of the \$213,018 operating surplus for the year ended December 31, 2020 to create a COVID relief reserve fund. In 2021, the Board approved the designation of the \$303,240 operating surplus for year ended December 31, 2021 to the fund. The fund balance of \$516,258 was used for operating purposes during the year ended December 31, 2022 to offset the decrease in net assets without donor restrictions of \$906,080.

MADISON SQUARE PARK CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 3 - Net Assets (continued)

b - Net Assets With Donor Restrictions

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

	2022	2021
Operating - Subject to expenditure for specified purpose:		
Music and art programming	\$ 732,967	\$ 409,600
Capital Campaign	1,083,169	2,041,290
	1,816,136	2,450,890
Subject to passage of time:		
General operations	42,978	34,250
Donated facilities - long-term lease (Note 13)	324,662	457,981
	367,640	492,231
	2,183,776	2,943,121
Endowments subject to spending policy and appropriation:		
Investment income above original gift amount:		
Park Fund	1,333,474	3,243,227
Martin Art Fund	69,173	303,682
LeWitt Art Fund	75,543	553,977
	1,478,190	4,100,886
Investment in perpetuity:		
Park Fund	5,418,332	5,418,332
Martin Friedman Fund for Madison Square Art	831,957	831,957
Sol Lewitt Fund for Artists' Work	1,428,087	1,428,087
Bass Tree Fund	100,000	-
	7,778,376	7,678,376
Total Endowments	9,256,566	11,779,262
Total Net Assets with Donor Restrictions	\$11,440,342	\$14,722,383

The Organization's net assets with donor restrictions include endowment funds established for the following purposes:

1) Park Fund

The Park Fund endowment was established in 2002, with funds raised through the Organization's original capital campaign, to fund the maintenance, beautification and programming of Madison Square Park.

2) Martin Friedman Fund for Madison Square Art

The Martin Friedman Fund for Madison Square Art is a restricted endowment fund for costs associated with MSPC art personnel and the presentation of art exhibitions.

3) Sol LeWitt Fund for Artists' Work

The LeWitt Art Fund endowment was established in 2005 to fund the presentation of art exhibitions in Madison Square Park.

MADISON SQUARE PARK CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 3 - Net Assets (continued)b - Net Assets With Donor Restrictions (continued)4) Bass Tree Fund

The Bass Tree Fund endowment was established in 2022 to fund the care, conservation, planting, and perpetuation of trees in Madison Square Park (Note 5).

Note 4 - Investments

Investments at December 31, 2022 and 2021, which are all classified as Level 1 in the fair value hierarchy, are reflected at fair value and consist of the following:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and money market funds	\$ 330,534	\$ 330,534	\$ 341,700	\$ 341,700
Mutual funds and exchange traded funds:				
Fixed income	5,487,089	4,755,263	7,561,142	7,603,553
Equities - domestic	4,213,727	4,237,926	2,813,016	4,136,606
Equities - foreign	<u>442,510</u>	<u>401,545</u>	<u>182,968</u>	<u>243,256</u>
	<u>\$10,473,860</u>	<u>\$9,725,268</u>	<u>\$10,898,826</u>	<u>\$12,325,115</u>

Net investment income (loss) consists of the following:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 232,193	\$350,104
Realized gain (loss) on sale of investments	(26,272)	64,271
Unrealized gain (loss) on investments	(2,174,881)	457,085
Investment fees	<u>(59,059)</u>	<u>(60,062)</u>
	<u>\$(2,028,019)</u>	<u>\$811,398</u>

MADISON SQUARE PARK CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 5 - Contributions Receivable

Contributions receivable are due as follows:

	2022	2021
Due within one year	\$ 573,219	\$1,059,057
Due within one to five years	<u>238,500</u>	<u>487,500</u>
	811,719	1,546,557
Less: Discount to present value	<u>(15,610)</u>	<u>(39,250)</u>
	<u>\$ 796,109</u>	<u>\$1,507,307</u>

Contributions receivable due after one year are reflected at present value of estimated future cash flows using a discount rate of 3%. Uncollectible contributions receivable are expected to be insignificant.

During 2019, the Organization was awarded a cost-reimbursement grant by the New York State Senate in the amount of \$540,000 for the Park House Capital Improvement Project. The grant has not yet been recognized in the accompanying financial statements, since it is conditional on incurring qualifying expenditures.

The Organization also received a pledge of \$1,000,000 subject to meeting certain fundraising goals of the capital campaign. During each of the years ended December 31, 2022 and 2021, \$100,000 was recognized as revenue. The remaining balance of \$800,000 is conditional and has accordingly not been recognized in the accompanying financial statements.

During 2022, the Organization received a \$500,000 intentional pledge, payable over five years, to create the Bass Tree Fund, an endowed fund for the care, conservation, planting, and perpetuation of trees in Madison Square Park. During the year ended December 31, 2022, \$100,000 was received and recognized in revenue. The remaining balance of \$400,000 has not been recognized in the accompanying financial statements.

Note 6 - Property and Equipment

Property and equipment consist of the following:

	Life	2022	2021
Office equipment and website	3-5 years	\$135,636	\$126,154
Leasehold improvements	Life of lease	295,930	295,930
Park machinery, furniture and program equipment	5 years	<u>251,214</u>	<u>205,521</u>
		682,780	627,605
Less: Accumulated depreciation		<u>(468,753)</u>	<u>(385,746)</u>
		<u>\$214,027</u>	<u>\$241,859</u>

MADISON SQUARE PARK CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 7 - Line of Credit - Note Payable

On December 14, 2021, the Organization entered into a line of credit note agreement with a bank whereby up to \$1 million may be borrowed through the Draw Period, ending on December 14, 2022. During the Draw Period, interest will accrue monthly on outstanding amounts at a rate of 4.198% plus the Secured Overnight Financing Rate ("SOFR"). Subsequent to the Draw Period, the unpaid principal balance will accrue interest at a rate of 1.89% above the most recently published weekly average yield on the United States Treasury Securities – Constant Maturity Series issued by the United States Government for a term of five years, and principal and interest payments will be due monthly through December 14, 2024. The line of credit note is secured by substantially all assets of the Organization. \$652,000 in borrowings were made during the year ended December 31, 2022. As of December 31, 2022, the interest rate is 5.61%.

Principal payments are due as follows:

Year ending December 31, 2023	\$316,879
Thereafter, through December 14, 2024	<u>335,121</u>
	<u>\$652,000</u>

Note 8 - Endowment Funds

The Organization's endowment consists of the donor-restricted endowment funds described in Note 3b. 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 perpetual in nature (a) the original value of gifts donated to the permanent 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 subject to spending policy and appropriation until those amounts are appropriated for expenditure by the Organization.

MADISON SQUARE PARK CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 8 - Endowment Funds (continued)

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 are donor-restricted and are summarized by net asset classification as follows:

	2022		
	Investment Income Above Original Amount	Investment in Perpetuity	Total
Donor-Restricted Endowment Funds			
Park Fund	\$1,333,474	\$5,418,332	\$6,751,806
Martin Friedman Fund for Madison Square Art	69,173	831,957	901,130
Sol LeWitt Fund for Artists' Work	75,543	1,428,087	1,503,630
Bass Tree Fund	<u>-</u>	<u>100,000</u>	<u>100,000</u>
	<u>\$1,478,190</u>	<u>\$7,778,376</u>	<u>\$9,256,566</u>
	2021		
	Investment Income Above Original Amount	Investment in Perpetuity	Total
Donor-Restricted Endowment Funds			
Park Fund	\$3,243,227	\$5,418,332	\$ 8,661,559
Martin Friedman Fund for Madison Square Art	303,682	831,957	1,135,639
Sol LeWitt Fund for Artists' Work	<u>553,977</u>	<u>1,428,087</u>	<u>1,982,064</u>
	<u>\$4,100,886</u>	<u>\$7,678,376</u>	<u>\$11,779,262</u>

MADISON SQUARE PARK CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 8 - Endowment Funds (continued)

Changes in endowment funds are summarized as follows for the years ended December 31:

	2022		
	<u>Investment Income Above Original Amount</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Endowment funds, beginning of year	\$ 4,100,886	\$7,678,376	\$11,779,262
Contribution	-	100,000	100,000
Net investment loss	(1,947,696)	-	(1,947,696)
Appropriations for use in operations	<u>(675,000)</u>	<u>-</u>	<u>(675,000)</u>
Endowment Funds, End of Year	<u>\$ 1,478,190</u>	<u>\$7,778,376</u>	<u>\$ 9,256,566</u>
	2021		
	<u>Investment Income Above Original Amount</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Endowment funds, beginning of year	\$3,310,332	\$7,678,376	\$10,988,708
Net investment gain	<u>790,554</u>	<u>-</u>	<u>790,554</u>
Endowment Funds, End of Year	<u>\$4,100,886</u>	<u>\$7,678,376</u>	<u>\$11,779,262</u>

Return Objectives, Risk Parameters and Strategies

The Organization has adopted investment and spending policies, approved by the Board of Trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, with acceptable levels of risk.

Endowment assets are invested in a well-diversified asset mix in multiple managed brokerage accounts. This asset mix is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution, if appropriate, while growing the funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed in order not to expose the funds to unacceptable levels of risk.

MADISON SQUARE PARK CONSERVANCY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2022 AND 2021****Note 8 - Endowment Funds (continued)***Spending Policy*

Investment income may be used to support art programs, exhibitions, and park maintenance and programs. In establishing spending policies for its endowment funds, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

For the year ended December 31, 2022, the Board of Trustees approved appropriations of \$150,000 from the LeWitt Art Fund to cover expenses associated with fabrication of an art exhibition, \$50,000 from the Martin Art Fund to fund a new art program employee, and \$475,000 from the Park Fund to cover expenses related to park maintenance and programming. No appropriations were made for the year ended December 31, 2021.

Note 9 - Paycheck Protection Program

During 2021, the Organization received a loan totaling \$471,902 under the Paycheck Protection Program ("PPP") administered by the U.S. Small Business Administration. The loan included provisions for forgiveness if the Organization met certain employee retention requirements and the funds were used for eligible expenses. Because management expected to meet the requirements for forgiveness of the entire loan amount, the loan was recorded as a conditional grant and recognized as revenue for 2021 since eligible expenses totaling \$471,902 were paid with the proceeds of the loan. In October 2021, the Organization received forgiveness of the full loan amount.

Note 10 - Concentration of Credit Risk

The Organization maintains its cash and cash equivalent balances at various institutions in New York City. Balances often exceed insured limits; however, the Organization believes that these institutions are reputable and that risk of loss is remote.

MADISON SQUARE PARK CONSERVANCY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2022 AND 2021****Note 11 - Commitments, Contingency and Related Party Transactions**

- a - Under an agreement dated May 2013 with The City of New York, by and through the Department of Parks & Recreation (“Parks”), the Organization maintains, improves and provides recreational and educational programming at Madison Square Park for the benefit of the public. The agreement provided for a ten-year term through May 2023, which was subsequently extended for a five year renewal term through May 2028. The agreement requires that the Organization maintain a certain level of annual financial commitment and expenditure, increasing annually by Consumer Price Index, with the exclusion of certain cost categories. Under the terms of the agreement, through December 31, 2022 the Organization reimbursed Parks for security staffing. The Organization is no longer required to reimburse Parks for security staffing effective January 2023. The agreement provides for the Organization to receive 100% of concession fees otherwise due to the City under a license agreement for the operation of a food stand and outdoor café (Note 11b). The agreement limits the number of fundraising and special events held annually at Madison Square Park. In the event that specified revenues exceed budgeted expenditures for a given year, the Organization is required to transfer up to \$250,000 of such excess into a segregated capital reserve fund, to be drawn down to fund capital expenditures approved by the City. Any remaining excess is required to be remitted to the City. For 2022 and 2021, there was no excess revenue.
- b - Under a license agreement dated October 2013, with a term through November 2025 between Parks and a concessionaire company (the “operator”), the Organization receives the concession fees from the operation of the food stand and outdoor café in Madison Square Park. A Board member of the Organization has an interest in the operator. The agreement provides for concession fees based on a percentage of the operator’s gross receipts, subject to an annual minimum fee of \$750,000 per annum, increasing 2% annually. Income received during the years ended December 31, 2022 and 2021 totaled \$880,208 and \$862,949, respectively.
- c - In January 2020, the Organization entered into a license agreement with Parks, to provide for the operation of a new specialty food market. The initial term of the agreement is for two years, with an option for three one-year renewals. The agreement requires the Organization to remit to Parks an annual fee equal to 10% of gross receipts, with a minimum annual fee of \$50,000, increasing 2% annually. The Organization has not yet entered into a sublicense agreement with a new market vendor to operate the market.
- d - For the year ended December 31, 2022 and 2021, the Organization paid companies of a Board member approximately \$146,000 and \$54,000, respectively, for catering related to benefit events and an exhibition opening.
- e - Government supported projects are subject to audit by the governmental granting agency.

MADISON SQUARE PARK CONSERVANCY, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2022 AND 2021****Note 12 - Employee Retention Tax Credit**

The Coronavirus Aid, Relief and Economic Security (“CARES”) Act enacted in 2020 allowed eligible employers to claim employee retention tax credits for qualified wages. In 2023, the Organization completed an analysis of the CARES Act programs and determined that it was eligible to receive a credit of approximately \$350,000 based on partially suspended operations due to government mandated closures and a decrease in gross receipts. The Organization expects to file a claim for the credit in 2023.

Note 13 - Donated Services and Facilities

The Organization occupies donated office space under a five-year operating lease agreement expiring on March 31, 2025. For each of the years ended December 31, 2022 and 2021, the value of this donated office space was approximately \$150,000. As the five-year operating lease was recorded as a contribution with donor restrictions, the \$150,000 was released from restrictions for the years ended December 31, 2022 and 2021 (Note 3b).

During the year ended December 31, 2022, the Organization also received donated engineering services valued at \$15,665.

During the year ended December 31, 2021, the Organization also received donated landscaping valued at \$20,000 and donated legal services valued at \$2,612.

Donated services and facilities are utilized by the Organization in connection with its program and administrative supporting services and valued by the respective donor based on rates charged for similar services and facilities.

Note 14 - Retirement Plan

The Organization maintains a defined contribution pension plan for all eligible employees who have completed one year of service. The Organization makes a discretionary contribution to the plan on an annual basis limited to a 4% match of an eligible employee's annual earnings. The total contribution to the plan for the years ended December 31, 2022 and 2021 was \$47,604 and \$54,275, respectively.