

**FOUR FREEDOMS PARK CONSERVANCY, INC.
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

DECEMBER 31, 2016 AND 2015

**FOUR FREEDOMS PARK CONSERVANCY, INC.
AND SUBSIDIARY**

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INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
Four Freedoms Park Conservancy, Inc.
and Subsidiary

We have audited the accompanying consolidated financial statements of Four Freedoms Park Conservancy, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Four Freedoms Park Conservancy, Inc. and Subsidiary as of December 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Skody Scot & Company, CPAs, P.C.

New York, NY
August 1, 2017

**FOUR FREEDOMS PARK CONSERVANCY, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015**

	2016	2015
ASSETS		
Cash & cash equivalents	\$ 1,523,866	\$ 1,599,940
Cash held in escrow	-	139,089
Contributions & other receivables	455,000	960,345
Government grants receivable	25,510	16,650
Inventory	95,109	97,872
Prepaid expenses	63,593	96,414
Construction funding retainage	543,520	543,520
Property and equipment, net	397,648	496,561
Security deposits receivable	45,122	45,122
	\$ 3,149,368	\$ 3,995,513
Total assets		

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 41,182	\$ 7,586
Security deposits payable	14,250	14,250
Deferred revenue	201,693	-
Deferred rent	63,981	66,629
	321,106	88,465
Total liabilities		
Commitments and contingencies (see notes)		
Net Assets:		
Unrestricted	1,958,645	2,111,471
Temporarily restricted	869,617	1,795,577
Permanently restricted	-	-
	2,828,262	3,907,048
Total net assets		
Total liabilities and net assets	\$ 3,149,368	\$ 3,995,513

**See accompanying notes to
consolidated financial statements.**

**FOUR FREEDOMS PARK CONSERVANCY, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
Support and Revenues:		
Unrestricted:		
Contributions	\$ 461,767	\$1,371,807
Contributions in-kind	29,142	50,214
Government grants	471,857	381,650
Program service revenue	470,515	280,802
Special events:		
Event income	317,400	313,221
Less: related direct costs	(128,575)	(87,548)
Net special event income	188,825	225,673
Interest income	43	43
Release of prior year's restricted contributions	1,055,960	200,650
Temporarily restricted:		
Contributions	130,000	856,308
Release of prior year's restricted contributions	(1,055,960)	(200,650)
Total support and revenues	1,752,149	3,166,497
Expenses:		
Program Expenses:		
Park maintenance & operations	1,288,484	1,249,084
Public offerings	908,603	851,179
Total program expenses	2,197,087	2,100,263
Management and general	386,312	349,374
Fundraising	247,536	329,937
Total expenses	2,830,935	2,779,574
Increase/(Decrease) In Net Assets:		
Unrestricted	(152,826)	(268,735)
Temporarily restricted	(925,960)	655,658
Permanently restricted	-	-
Increase/(decrease) in net assets	(1,078,786)	386,923
Net assets, beginning of year	3,907,048	3,520,125
Net assets, end of year	\$2,828,262	\$3,907,048

**See accompanying notes to
consolidated financial statements.**

**FOUR FREEDOMS PARK CONSERVANCY, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$(1,078,786)	\$ 386,923
Adjustments for non-cash items included in operating activities:		
Depreciation	117,443	115,788
Losses/(gains) on investments	-	4,925
Changes in assets and liabilities:		
Contributions & other receivables	505,345	(793,943)
Government grants receivable	(8,860)	(16,650)
Prepaid expenses	32,821	3,341
Inventory	2,763	(2,890)
Accounts payable and accrued expenses	33,596	(174,396)
Security deposits payable	-	14,250
Deferred revenue	201,693	-
Deferred rent	(2,648)	1,967
Net cash provided/(used) by operating activities	<u>(196,633)</u>	<u>(460,685)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(18,530)	(20,632)
(Increase)/decrease in cash held in escrow	139,089	(73)
Net cash provided/(used) by investing activities	<u>120,559</u>	<u>(20,705)</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash	(76,074)	(481,390)
Cash & cash equivalents at beginning of year	<u>1,599,940</u>	<u>2,081,330</u>
Cash & cash equivalents at end of year	<u>\$ 1,523,866</u>	<u>\$ 1,599,940</u>

**See accompanying notes to
consolidated financial statements.**

**FOUR FREEDOMS PARK CONSERVANCY, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016
WITH COMPARATIVE TOTALS FOR 2015**

	2016					2015	
	Program Expenses			Supporting Services		Total Expenses	Total Expenses
	Park Maintenance & Operations	Public Offerings	Total Program	Management and General	Fundraising		
Personnel costs:							
Salaries	\$ 679,193	\$ 244,933	\$ 924,126	\$ 155,839	\$ 88,449	\$ 1,168,414	\$ 1,200,408
Payroll taxes and benefits	141,041	47,646	188,687	42,193	23,948	254,828	304,922
Total personnel costs	<u>820,234</u>	<u>292,579</u>	<u>1,112,813</u>	<u>198,032</u>	<u>112,397</u>	<u>1,423,242</u>	<u>1,505,330</u>
Direct expenses:							
Construction	13,654	53,400	67,054	-	-	67,054	30,285
Consultants	1,310	22,883	24,193	33,665	1,310	59,168	119,016
Depreciation	23,489	51,675	75,164	18,790	23,489	117,443	115,788
Education	-	-	-	-	-	-	22,972
Equipment purchases	14,033	-	14,033	-	-	14,033	8,268
Insurance	11,017	14,143	25,160	9,443	-	34,603	26,949
Landscaping	37,692	-	37,692	-	-	37,692	192,326
Loss on asset disposal	-	-	-	-	-	-	4,925
Office supplies and expenses	10,147	14,018	24,165	16,961	54,394	95,520	74,951
Printing	-	-	-	-	-	-	48,502
Professional fees	-	-	-	75,011	-	75,011	85,803
Program supplies and expenses	2,589	303,275	305,864	-	781	306,645	84,493
Promotion	-	37,309	37,309	-	8,450	45,759	25,044
Rent and utilities	86,348	107,934	194,282	33,644	39,262	267,188	275,128
Repairs and maintenance	89,269	11,387	100,656	766	7,453	108,875	53,088
Security	173,851	-	173,851	-	-	173,851	99,008
Supplies	4,851	-	4,851	-	-	4,851	7,698
Total direct expenses	<u>468,250</u>	<u>616,024</u>	<u>1,084,274</u>	<u>188,280</u>	<u>135,139</u>	<u>1,407,693</u>	<u>1,274,244</u>
Total expenses	<u>\$ 1,288,484</u>	<u>\$ 908,603</u>	<u>\$ 2,197,087</u>	<u>\$ 386,312</u>	<u>\$ 247,536</u>	<u>\$ 2,830,935</u>	<u>\$ 2,779,574</u>

See accompanying notes to consolidated financial statements.

**FOUR FREEDOMS PARK CONSERVANCY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies

Four Freedoms Park

In 1973, Governor Nelson Rockefeller and Mayor John Lindsay changed the name of Welfare Island to Roosevelt Island and dedicated four acres at the southern end of the island for a park to be built in memory of President Franklin D. Roosevelt. Louis I. Kahn was commissioned to design the memorial park, which was named Four Freedoms Park (the Park). Construction of the Park began on March 29, 2010, and was completed in September 2012. The Park was officially declared a New York State Park by Governor Andrew Cuomo at a dedication ceremony which took place on October 17, 2012. The Park was opened to the public on October 24, 2012.

Franklin D. Roosevelt Four Freedoms Park, LLC

Franklin D. Roosevelt Four Freedoms Park, LLC (the Subsidiary), was formed on September 30, 2008 as a single member limited liability company by the Franklin and Eleanor Roosevelt Institute (the Institute). The purpose of the Subsidiary is to build the first memorial to President Franklin D. Roosevelt in his home state of New York. In October 2011, the Institute assigned all rights, title, and interest in the Subsidiary to the Four Freedoms Park Conservancy, Inc.

Four Freedoms Park Conservancy, Inc.

Four Freedoms Park Conservancy, Inc. (the Conservancy), a not-for-profit organization, was incorporated in the State of New York on June 30, 2011. The mission of the Conservancy is to operate, maintain, program, and fund Four Freedoms Park under a Cooperative Agreement with the New York State Office of Parks, Recreation, and Historic Preservation.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Conservancy and the Subsidiary (collectively called the Organization). All balances and transactions between the entities have been eliminated in consolidation.

Tax Status

The Conservancy is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Subsidiary is a single member limited liability company and is treated as a disregarded entity for income tax purposes. Accordingly, no provision for federal, state or local income taxes has been recorded.

The Organization does not believe its financial statements contain any uncertain tax positions.

**FOUR FREEDOMS PARK CONSERVANCY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

In accordance with GAAP the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a consolidated statement of cash flows.

Use of Estimates

Management uses estimates and assumptions in preparing the consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Major Programs

The Organization's two major programs include the following: Park Maintenance & Operations - ensuring that the Park remains beautiful and safe by providing security, repairs and maintenance, utilities, and park personnel; and Public Offerings - making the history of The Roosevelt Era accessible to park visitors and the general public through the fdr4freedoms online digital resource as well as through programs.

Property and Equipment

The Organization capitalizes certain property and equipment with estimated lives of three years or more. Property and equipment are stated at cost, less accumulated depreciation. Depreciation of property and equipment is computed by the straight-line method over estimated useful lives ranging from three to thirty years. Leasehold improvements are depreciated by the straight-line method over the life of the improvement or the term of the lease, whichever is shorter. Expenditures for repairs and maintenance are charged as an expense, and major renewals and betterments are capitalized.

Inventory

Inventory consists of items for sale in the Park gift shop. Inventory is stated at the lower of cost or market and is determined using a periodic inventory method.

**FOUR FREEDOMS PARK CONSERVANCY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For the purposes of the consolidated statement of financial position and the consolidated statement of cash flows, the Organization considers as cash equivalents money market funds and all highly liquid resources, such as investments in bank notes, with an original maturity of three months or less.

Revenue Recognition

Contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increases in the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Program service revenue relates to fees received in exchange for program services. Revenue is recognized when the program service is provided. Any revenue received which has not been earned is recorded as deferred revenue.

In accordance with grant provisions, grants are recorded as revenue when earned, either through expenditure or accomplishment of a specific goal or benchmark. All unreimbursed expenses as of the period-end are recorded as grant receivable and all advanced funds not expended are recorded as refundable advances.

Membership dues are considered contributions to the Organization and are recognized as revenue upon receipt.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization allocates salaries based on estimated time and other expenses based on usage. The Organization classifies expenses, which are not directly related to a specific program, as Management and General expenses.

Investments

The policy of the Organization is to sell donated investments soon after receipt and consider them cash donations valued at the sale price.

**FOUR FREEDOMS PARK CONSREVANCY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Construction and Development Costs

Roosevelt Island is owned by the City of New York and is leased to the State of New York through 2068. The Park is operated by the Organization pursuant to a cooperative agreement between the Organization and the State of New York (see Note 9). All improvements, and integral fixtures and equipment belong to the State of New York. Accordingly, all costs incurred in connection with the construction, improvement, and development of the Park were expensed as incurred.

Receivables

Receivables that are expected to be collected within one year are recorded at their net realizable value. Receivables that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Due to low interest rates, management has determined that discounting receivables is immaterial. Therefore, all receivables have been stated at their net realizable value. The allowance for bad debt is maintained at a level that, in management's judgment, is adequate to absorb uncollectible receivables. As of December 31, 2016 and 2015, management has determined that future bad debts are likely to be immaterial and has not recorded an allowance for bad debt.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Checking	\$1,423,823	\$1,449,938
Money market funds	<u>100,043</u>	<u>150,002</u>
	<u>\$1,523,866</u>	<u>\$1,599,940</u>

Note 3 - Property and Equipment

Property and equipment by major class consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Office equipment	\$ 53,318	\$ 53,318
Program equipment	144,310	130,562
Furniture and fixtures	71,796	67,015
Vehicles	44,421	44,420
Leasehold improvements	<u>411,485</u>	<u>411,485</u>
	725,330	706,800
Less: Accumulated depreciation	<u>(327,682)</u>	<u>(210,239)</u>
	<u>\$ 397,648</u>	<u>\$ 496,561</u>

**FOUR FREEDOMS PARK CONSERVANCY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Note 4 - Cash Held in Escrow

Disbursement of construction payments and receipt of construction funding from the State of New York and the City of New York were transacted through a bank account held in escrow pursuant to various escrow agreements. Upon the satisfaction of specified conditions, the funds held in escrow are released from restriction. As of December 31, 2016 and 2015, the balance held in escrow was \$0 and \$139,089, respectively.

Note 5 - Construction Funding Retainage

In accordance with grant agreements, reimbursements from the City of New York (the City) are subject to a 5% retainage. 80% of the retainage is to be released upon substantial progress of the City funded projects, and the remaining 20% is to be released upon final sign-off of the completion of the City funded projects. As of December 31, 2016 and 2015, construction funding retainage due from the City of New York amounted to \$543,520 and \$543,520, respectively.

Note 6 - Restrictions on Net Assets

As of December 31, 2016 and 2015, temporarily restricted net assets are available in future years for the following purposes:

	<u>2016</u>	<u>2015</u>
Educational initiatives	\$ 43,388	\$ 343,202
Hope Memorial	-	53,400
Renwick Ruin	-	117,016
Strategic plan	-	25,480
William J. Vanden Heuvel Fund	271,229	271,229
Future program activities	<u>555,000</u>	<u>985,250</u>
	<u>\$ 869,617</u>	<u>\$ 1,795,577</u>

Note 7 - Donated Services

Services were donated to the Organization by various organizations and meet the criteria for being recognized as contributions in accordance with GAAP. Amounts are recorded at their estimated fair market values at the date of donation using published rates and prices.

Total contributions in-kind reported on the accompanying consolidated statement of activities for the years ended December 31, 2016 and 2015 amounted to \$29,142 and \$50,214, respectively. Contributions in-kind mainly consisted of donated legal services.

**FOUR FREEDOMS PARK CONSERVANCY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Note 8 - Government Grants

The Organization was awarded various grants by governmental entities. During the years ended December 31, 2016 and 2015, total grant revenue recognized under the grants amounted to \$471,857 and \$381,650, respectively.

Note 9 - Commitments and Contingencies

Office Space

The Organization leases space pursuant to a non-cancelable operating lease set to expire on January 31, 2021. As of December 31, 2016, minimum aggregate annual rentals are as follows:

Year ended December 31, 2017	\$ 193,969
2018	199,710
2019	204,783
2020	209,897
2021	17,527

Cooperative Agreement

In March 2013, the Organization entered into a cooperative agreement with the New York State Office of Parks, Recreation, and Historic Preservation (the State). The agreement grants to the Conservancy a license to manage and operate the land and improvements comprising the Park. The agreement has an initial term of 10 years, expiring in 2023. There is an option to extend the agreement for an additional 10 years. There is no rent or other fee due from or to either party of the agreement. The agreement states that the State will employ best efforts to provide an annual subsidy to the Organization to support basic park operations and security and core maintenance activities. The subsidy from the State shall not exceed \$350,000 in any fiscal year covered by the agreement.

The agreement also asserts that the State shall consent to the Natural Heritage Trust (NHT) paying up to \$100,000 annually to the Conservancy from a \$2,000,000 investment account established by Alphawood Foundation Chicago. A public benefit corporation of the State of New York, the NHT is a 501(c)(3) charitable organization whose mission is to receive and administer gifts, grants, and contributions to further public programs for parks, recreation, cultural, land and water conservation, and historic preservation.

Note 10 - Pension Plan

In 2012, the Organization adopted a deferred compensation plan, which allows employee contributions and discretionary employer contributions. Organization contributions to the plan for the years ended December 31, 2016 and 2015 amounted to \$28,586 and \$36,190, respectively.

**FOUR FREEDOMS PARK CONSERVANCY, INC.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Note 11 - Concentrations

The Organization maintains its cash and cash equivalents in various accounts with major financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures bank deposits up to \$250,000 per financial institution. During the years ended December 31, 2016 and 2015, the balances of the accounts may have exceeded the insured limits at times.

Note 12 - Subsidiary Activity and Asset Balances

Activity and asset balances (including eliminated inter-organizational receivables) of the consolidated subsidiary for the years ended December 31, 2016 and 2015 consisted of the following:

	Beginning <u>Asset Balance</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Asset Balance</u>
Subsidiary - 2015	\$ 2,155,132	\$ 42	\$ 648	\$ 2,154,526
Subsidiary - 2016	\$ 2,154,526	\$ -	\$ 189,789	\$ 1,964,737

Note 13 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through August 1, 2017, which is the date the financial statements were available to be issued.