

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

DECEMBER 31, 2017 AND 2016

**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, 2017 and 2016, 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, 2017 and 2016, 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
January 10, 2019

**FOUR FREEDOMS PARK CONSERVANCY, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

	2017	2016
ASSETS		
Cash	\$ 1,208,793	\$ 1,523,866
Contributions & other receivables	170,000	455,000
Government grants receivable	63,820	25,510
Inventory	-	95,109
Prepaid expenses	31,133	63,593
Construction funding retainage	543,520	543,520
Property and equipment, net	286,669	397,648
Security deposits receivable	14,266	45,122
	\$ 2,318,201	\$ 3,149,368

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 58,376	\$ 41,182
Security deposits payable	14,250	14,250
Deferred revenue	216,026	201,693
Deferred rent	-	63,981
	288,652	321,106

Commitments and contingencies (see notes)

Net Assets:		
Unrestricted	1,538,320	1,958,645
Temporarily restricted	491,229	869,617
Permanently restricted	-	-
	2,029,549	2,828,262
Total net assets	2,029,549	2,828,262
Total liabilities and net assets	\$ 2,318,201	\$ 3,149,368

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

**FOUR FREEDOMS PARK CONSERVANCY, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Support and Revenues:		
Unrestricted:		
Contributions	\$ 769,019	\$ 461,767
Contributions in-kind	12,444	29,142
Government grants	446,891	471,857
Program service income	270,619	470,515
Special events:		
Event income	434,150	317,400
Less: related direct costs	(132,995)	(128,575)
Net special event income	<u>301,155</u>	<u>188,825</u>
Interest income	759	43
Release of prior year's restricted contributions	453,388	1,055,960
Temporarily restricted:		
Contributions	75,000	130,000
Release of prior year's restricted contributions	<u>(453,388)</u>	<u>(1,055,960)</u>
Total support and revenues	<u>1,875,887</u>	<u>1,752,149</u>
 Expenses:		
Program Expenses:		
Park maintenance & operations	1,344,889	1,288,484
Public offerings	840,343	908,603
Total program expenses	<u>2,185,232</u>	<u>2,197,087</u>
Management and general	254,773	386,312
Fundraising	234,595	247,536
Total expenses	<u>2,674,600</u>	<u>2,830,935</u>
 Increase/(Decrease) In Net Assets:		
Unrestricted	(420,325)	(152,826)
Temporarily restricted	(378,388)	(925,960)
Permanently restricted	<u>-</u>	<u>-</u>
Increase/(decrease) in net assets	(798,713)	(1,078,786)
 Net assets, beginning of year	<u>2,828,262</u>	<u>3,907,048</u>
Net assets, end of year	<u>\$ 2,029,549</u>	<u>\$ 2,828,262</u>

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

**FOUR FREEDOMS PARK CONSERVANCY, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ (798,713)	\$ (1,078,786)
Adjustments for non-cash items included in operating activities:		
Depreciation	117,922	117,443
Changes in assets and liabilities:		
Contributions & other receivables	285,000	505,345
Government grants receivable	(38,310)	(8,860)
Inventory	95,109	2,763
Prepaid expenses	32,460	32,821
Security deposits receivable	30,856	-
Accounts payable and accrued expenses	17,194	33,596
Deferred revenue	14,333	201,693
Deferred rent	(63,981)	(2,648)
Net cash provided/(used) by operating activities	<u>(308,130)</u>	<u>(196,633)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(6,943)	(18,530)
(Increase)/decrease in cash held in escrow	-	139,089
Net cash provided/(used) by investing activities	<u>(6,943)</u>	<u>120,559</u>
Cash flows from financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash	(315,073)	(76,074)
Cash at beginning of year	1,523,866	1,599,940
Cash at end of year	<u>\$ 1,208,793</u>	<u>\$ 1,523,866</u>
Supplemental information:		
Retirement of fully depreciated property & equipment	\$ 21,645	\$ -

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

**FOUR FREEDOMS PARK CONSERVANCY, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR 2016**

	2017					2016	
	Program Expenses			Supporting		Total Expenses	
	Park Maintenance & Operations	Public Offerings	Total Program	Management and General	Fundraising	Total Expenses	Total Expenses
Personnel Costs:							
Salaries	\$ 599,211	\$ 315,523	\$ 914,734	\$ 107,284	\$ 121,913	\$ 1,143,931	\$ 1,168,414
Payroll taxes and benefits	150,956	74,147	225,103	30,858	35,068	291,029	254,828
Total personnel costs	<u>750,167</u>	<u>389,670</u>	<u>1,139,837</u>	<u>138,142</u>	<u>156,981</u>	<u>1,434,960</u>	<u>1,423,242</u>
Direct expenses:							
Construction	-	-	-	-	-	-	67,054
Consultants	35,017	48,841	83,858	13,673	-	97,531	73,201
Depreciation	47,169	47,169	94,338	11,792	11,792	117,922	117,443
Insurance	18,147	14,674	32,821	3,299	-	36,120	34,603
Landscaping	45,257	-	45,257	-	-	45,257	37,692
Office supplies and expenses	17,968	14,343	32,311	8,252	46,323	86,886	95,520
Professional fees	65,850	13,170	79,020	65,124	-	144,144	75,011
Program supplies and expenses	5,218	204,345	209,563	-	-	209,563	311,496
Promotion	-	28,843	28,843	-	5,001	33,844	45,759
Rent and utilities	83,589	67,618	151,207	13,906	13,912	179,025	267,188
Repairs and maintenance	74,899	11,670	86,569	585	586	87,740	108,875
Security	201,608	-	201,608	-	-	201,608	173,851
Total direct expenses	<u>594,722</u>	<u>450,673</u>	<u>1,045,395</u>	<u>116,631</u>	<u>77,614</u>	<u>1,239,640</u>	<u>1,407,693</u>
Total expenses	<u>\$ 1,344,889</u>	<u>\$ 840,343</u>	<u>\$ 2,185,232</u>	<u>\$ 254,773</u>	<u>\$ 234,595</u>	<u>\$ 2,674,600</u>	<u>\$ 2,830,935</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 - education and public event programming.

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. In 2017, the Organization stopped selling retail items at the gift shop and gave away all of the remaining retail inventory. At December 31, 2017, the Organization had no inventory.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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 in 2016 were considered contributions to the Organization and were 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, 2017 and 2016, management has determined that future bad debts are likely to be immaterial and has not recorded an allowance for bad debt.

Note 2 - Property and Equipment

Property and equipment by major class consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Office equipment	\$ 53,479	\$ 53,318
Program equipment	133,986	144,310
Furniture and fixtures	67,257	71,796
Vehicles	44,421	44,421
Leasehold improvements	<u>411,485</u>	<u>411,485</u>
	710,628	725,330
Less: Accumulated depreciation	<u>(423,959)</u>	<u>(327,682)</u>
	<u>\$ 286,669</u>	<u>\$ 397,648</u>

Note 3 - 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, 2017 and 2016, construction funding retainage due from the City of New York amounted to \$543,520 and \$543,520, respectively.

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

Note 4 - Restrictions on Net Assets

As of December 31, 2017 and 2016, temporarily restricted net assets are available in future years for the following purposes:

	<u>2017</u>	<u>2016</u>
Educational initiatives	\$ -	\$ 43,388
William J. Vanden Heuvel Fund	271,229	271,229
Future program activities	<u>220,000</u>	<u>555,000</u>
	<u>\$ 491,229</u>	<u>\$ 869,617</u>

Note 5 - 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, 2017 and 2016 amounted to \$12,444 and \$29,142, respectively. Contributions in-kind mainly consisted of donated legal services.

Note 6 - Government Grants

The Organization was awarded various grants by governmental entities. During the years ended December 31, 2017 and 2016, total grant revenue recognized under the grants amounted to \$446,891 and \$471,857, respectively.

Note 7 - 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, 2017 and 2016 amounted to \$25,407 and \$28,586, respectively.

Note 8 - 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, 2017 and 2016, the balances of the accounts may have exceeded the insured limits at times.

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

Note 9 - Commitments and Contingencies

Office Space

The Organization previously leased space pursuant to a non-cancelable operating lease set to expire on January 31, 2021. The Organization remains liable for the assignment of the lease for the current subtenant occupying the space.

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 - Subsidiary Activity and Asset Balances

Activity and asset balances (including eliminated inter-organizational receivables) of the consolidated subsidiary for the years ended December 31, 2017 and 2016 consisted of the following:

	Beginning <u>Asset Balance</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Asset Balance</u>
Subsidiary - 2016	\$ 2,154,526	\$ -	\$ 189,789	\$ 1,964,737
Subsidiary - 2017	\$ 1,964,737	\$ -	\$ 1,107	\$ 1,963,630

Note 11 - Litigation

A complaint was filed against the Organization in March 2017 alleging that the Park did not provide an equally accessible experience for guests with mobility disabilities. The Organization remains committed to taking additional steps to provide a fully and equally accessible experience to all guests. In November 2017, the Organization reached a settlement agreement with plaintiffs which included physical accessibility enhancements. These enhancements are estimated to cost about \$1.5 million and will be funded by existing government grants and future capital campaign contributions.

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

Note 12 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through January 10, 2019, which is the date the financial statements were available to be issued.