

New York Landmarks Conservancy, Inc.

Financial Statements

December 31, 2017

Independent Auditors' Report

Board of Directors New York Landmarks Conservancy, Inc.

We have audited the accompanying financial statements of New York Landmarks Conservancy, Inc., which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New York Landmarks Conservancy, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited New York Landmarks Conservancy, Inc.'s December 31, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 18, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

May 1, 2018

New York Landmarks Conservancy, Inc.

Statement of Financial Position
December 31, 2017
(with comparative amounts at December 31, 2016)

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 4,839,688	\$ 4,050,074
Pledges receivable	11,000	160,000
Program-related loans receivable	109,195	65,423
Due from New York City Historic Properties Fund, Inc.	36,229	42,459
Prepaid expenses and other assets	10,000	10,000
Cash and cash equivalents held for other agencies	107,303	109,196
Investments	6,884,712	5,805,319
Property and equipment, net	24,570	33,583
Investments in perpetuity	2,397,068	2,397,068
	\$ 14,419,765	\$ 12,673,122
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 2,586	\$ 2,781
Grants payable	788,868	765,343
Deferred rent	86,130	108,920
Due to New York City Historic Properties Fund, Inc.	80,323	78,000
Amounts Held for Other Agencies		
Queens Historic Properties Fund	106,512	106,390
West Park Presbyterian Church	791	2,806
Total Liabilities	1,065,210	1,064,240
Net Assets		
Without Donor Restrictions		
Undesignated	882,808	706,540
Board designated	8,431,496	7,073,268
Total Net Assets Without Donor Restrictions	9,314,304	7,779,808
With Donor Restrictions	4,040,251	3,829,074
Total Net Assets	13,354,555	11,608,882
	\$ 14,419,765	\$ 12,673,122

See notes to financial statements

New York Landmarks Conservancy, Inc.

Statement of Activities Year Ended December 31, 2017 (with summarized totals for the year ended December 31, 2016)

	Without Donor Restrictions	With Donor Restrictions	2017 Total	2016 Total
OPERATING REVENUE AND SUPPORT				
Contributions	\$ 2,070,998	\$ 349,150	\$ 2,420,148	\$ 2,565,641
Special events, net of direct benefit to donor of \$345,568 and \$306,915	1,138,462	-	1,138,462	820,855
Investment return used for operations	204,364	99,955	304,319	276,649
Program services income	450	30,875	31,325	21,550
	3,414,274	479,980	3,894,254	3,684,695
Net assets released from restrictions	653,652	(653,652)	-	-
Total Operating Revenue and Support	4,067,926	(173,672)	3,894,254	3,684,695
EXPENSES				
Program	2,009,029	-	2,009,029	2,057,398
Administration	370,865	-	370,865	320,085
Development and fundraising	785,844	-	785,844	790,057
Total Expenses	3,165,738	-	3,165,738	3,167,540
Excess (Deficiency) of Operating Revenue and Support Over Expenses	902,188	(173,672)	728,516	517,155
NON-OPERATING ACTIVITIES				
Non-operating investment return	632,308	384,849	1,017,157	91,903
Change in Net Assets	1,534,496	211,177	1,745,673	609,058
NET ASSETS				
Beginning of Year	7,779,808	3,829,074	11,608,882	10,999,824
End of Year	\$ 9,314,304	\$ 4,040,251	\$ 13,354,555	\$ 11,608,882

See notes to financial statements

New York Landmarks Conservancy, Inc.

Statement of Functional Expenses

Year Ended December 31, 2017

(with summarized totals for the year ended December 31, 2016)

	Program							Total Program
	Sacred Sites Program	Public Policy	Technical Services	Emergency Grants	Easements	City Ventures Fund	Endangered Buildings	
Salaries	\$ 284,143	\$ 196,127	\$ 100,716	\$ 63,896	\$ 26,550	\$ 12,498	\$ 34,432	\$ 718,362
Payroll taxes and benefits	77,994	52,400	26,909	17,071	7,093	3,339	9,199	194,005
Total Salaries and Related Expenses	362,137	248,527	127,625	80,967	33,643	15,837	43,631	912,367
Professional fees and purchased services	41,709	22,293	28,539	9,130	3,004	1,414	5,466	111,555
Occupancy and insurance	72,290	49,898	25,624	16,256	6,755	3,180	8,760	182,763
Equipment lease and maintenance	1,488	1,027	527	335	139	65	180	3,761
Telephone	3,190	2,202	1,131	717	298	140	387	8,065
Postage, shipping and messenger	2,595	2,023	920	584	243	114	345	6,824
Copying, printing and photos	5,297	12,234	1,306	829	344	162	447	20,619
Supplies	3,275	2,260	1,161	736	306	144	397	8,279
Travel, catering, and meetings	12,124	4,380	2,249	1,446	593	279	769	21,840
Other events	-	121,800	-	-	-	-	-	121,800
Grants - direct	492,100	-	31,594	57,625	-	5,000	-	586,319
Dues and subscriptions	3,228	2,228	1,144	726	302	142	391	8,161
Depreciation	2,001	1,381	709	450	187	88	243	5,059
Fees	4,595	3,172	1,629	1,033	429	202	557	11,617
Advertising	-	-	-	-	-	-	-	-
Total Expenses Before Reimbursement	1,006,029	473,425	224,158	170,834	46,243	26,767	61,573	2,009,029
Reimbursement of expenses	-	-	-	-	-	-	-	-
Total Expenses	\$ 1,006,029	\$ 473,425	\$ 224,158	\$ 170,834	\$ 46,243	\$ 26,767	\$ 61,573	\$ 2,009,029

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New York Landmarks Conservancy, Inc.

Statement of Functional Expenses *(continued)*

Year Ended December 31, 2017

(with summarized totals for the year ended December 31, 2016)

	Administration New York			Development and Fundraising	2017 Total	2016 Total
	Management and General	City Historic Properties Fund	Total Administration			
Salaries	\$ 170,763	\$ 250,535	\$ 421,298	\$ 261,463	\$ 1,401,123	\$ 1,362,227
Payroll taxes and benefits	<u>45,624</u>	<u>64,525</u>	<u>110,149</u>	<u>69,857</u>	<u>374,011</u>	<u>329,199</u>
Total Salaries and Related Expenses	216,387	315,060	531,447	331,320	1,775,134	1,691,426
Professional fees and purchased services	19,323	-	19,323	29,587	160,465	273,226
Occupancy and insurance	43,445	63,740	107,185	66,520	356,468	355,098
Equipment lease and maintenance	894	1,312	2,206	1,369	7,336	7,743
Telephone	1,917	2,812	4,729	2,935	15,729	14,423
Postage, shipping and messenger	1,560	2,654	4,214	2,388	13,426	17,028
Copying, printing and photos	2,215	1,934	4,149	3,391	28,159	29,388
Supplies	1,970	2,888	4,858	3,014	16,151	17,992
Travel, catering, and meetings	3,813	208	4,021	5,839	31,700	25,384
Other events	-	-	-	-	121,800	66,200
Grants - direct	-	92,323	92,323	-	678,642	697,750
Dues and subscriptions	1,940	-	1,940	2,970	13,071	10,269
Depreciation	1,203	910	2,113	1,841	9,013	6,006
Fees	2,762	73	2,835	4,228	18,680	15,908
Advertising	<u>-</u>	<u>-</u>	<u>-</u>	<u>330,442</u>	<u>330,442</u>	<u>328,541</u>
Total Expenses Before Reimbursement	297,429	483,914	781,343	785,844	3,576,216	3,556,382
Reimbursement of expenses	<u>-</u>	<u>(410,478)</u>	<u>(410,478)</u>	<u>-</u>	<u>(410,478)</u>	<u>(388,842)</u>
Total Expenses	<u>\$ 297,429</u>	<u>\$ 73,436</u>	<u>\$ 370,865</u>	<u>\$ 785,844</u>	<u>\$ 3,165,738</u>	<u>\$ 3,167,540</u>

See independent auditors' report

New York Landmarks Conservancy, Inc.

Statement of Cash Flows
Year Ended December 31, 2017
(with comparative amounts for the year ended December 31, 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,745,673	\$ 609,058
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	9,013	6,006
Deferred rent	(22,790)	(12,135)
Net realized and unrealized gain on investments	(1,108,543)	(213,806)
Changes in operating assets and liabilities		
Pledges receivable	149,000	360,000
Due from New York City Historic Properties Fund, Inc.	6,230	(4,131)
Prepaid expenses and other assets	-	34,973
Accounts payable and accrued liabilities	(195)	(712)
Grants payable	23,525	(211,362)
Due to New York City Historic Properties Fund, Inc.	2,323	2,100
Net Cash from Operating Activities	804,236	569,991
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(15,260)
Loans issued	(103,736)	(85,000)
Loan repayments	59,964	99,248
Proceeds from sales of investments	384,717	3,056,865
Purchase of investments	(468,525)	(3,017,759)
Change in short term investments	112,958	1,739
Net Cash from Investing Activities	(14,622)	39,833
Net Change in Cash and Cash Equivalents	789,614	609,824
CASH AND CASH EQUIVALENTS		
Beginning of the year	4,050,074	3,440,250
End of the year	\$ 4,839,688	\$ 4,050,074

See notes to financial statements

New York Landmarks Conservancy, Inc.

Notes to Financial Statements
December 31, 2017

1. Organization and Tax Status

New York Landmarks Conservancy, Inc. (the "Organization"), established in 1973, is a non-profit organization dedicated to the preservation and reuse of architecturally, culturally and historically significant buildings throughout New York City and the State of New York. The Organization's goals are to devise and implement economically sound reuse strategies for landmark buildings, carry out studies and formulate new technology, utilize legal and economic tools as incentives to historic preservation, disseminate preservation-related information to the public, assist community groups in achieving urban renewal through the revitalization of existing structures, and provide technical assistance to owners of landmark properties. The Organization derives most of its revenue and support from contributions and grants made by individuals, corporations and foundations.

The Organization has been granted tax-exempt status from the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal or state income taxes.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the Organization's management to make certain estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Measure of Operations

The Organization includes in its measure of operations all revenues and expenses that are an integral part of its program and supporting activities and excludes contributions with donor restrictions that are permanent in nature and investment return in excess of the Organization's spend rate.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with maturities of three months or less when purchased.

Pledges Receivable

Pledges receivable are stated at their estimated fair value. Amounts due in more than one year are stated at the present value of the estimated future cash flows, discounted using a risk-adjusted rate.

New York Landmarks Conservancy, Inc.

Notes to Financial Statements
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents Held for Other Agencies

The Organization maintains cash and cash equivalents for others in connection with transactions in which the Organization acts as an agent. These cash and cash equivalents are reported in the statement of financial position with related liability accounts categorized under amounts held for other agencies.

Fair Value Measurements

The Organization follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investments and Investment Income Recognition

Investments are stated at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Property and Equipment

Property and equipment are stated at cost and depreciated on a straight line basis over their estimated useful lives, ranging from 3 to 15 years. The Organization capitalizes all expenditures for property and equipment in excess of \$5,000. Leasehold improvements are stated at cost and amortized on a straight-line basis over the shorter of the lease term or their estimated useful life.

Deferred Rent

Certain operating leases provide a rent holiday which is amortized on a straight line basis over the term of the lease. Other operating leases may contain escalation costs which are also amortized on a straight line basis over the lease term.

New York Landmarks Conservancy, Inc.

Notes to Financial Statements
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2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries including the President are allocated on the basis of staff estimates of time and effort. Direct program costs such as grants, construction and professional fees are allocated directly to the programs. Special event costs are netted with the contributions. All other costs that are not charged directly to a program are allocated based on the percentage of overall salary allocation.

Net Asset Presentation

Net assets without donor restrictions have no restriction as to use or purpose imposed by donors. Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature, and are limited to a specific time period or purpose. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained for investment in perpetuity.

Contributions

Contributions received, including unconditional promises to give, are recognized as revenue in the period received. The Organization reports gifts as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are restricted as support for future periods. When donor restrictions expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of goods and equipment at fair value on the date of the gift. Such gifts are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations as to how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or purchased long-lived assets are placed in service.

Contributed Services

The fair value of contributed services is reported as a contribution if such services create or enhance non-financial assets, or require specialized skills, and are provided by individuals possessing such specialized skills and would typically need to be purchased if not provided by donation.

New York Landmarks Conservancy, Inc.

Notes to Financial Statements
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

Art Collection

The Organization maintains a donated art collection that is not recognized as an asset on the statement of financial position. The collection has been appraised at \$400,000 as of June 2008.

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2014.

Advertising

Advertising costs are expensed as incurred and amounted to \$330,442 for the year ended December 31, 2017.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is May 1, 2018.

Prior Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information is not intended to include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for 2016.

Recently Adopted Accounting Pronouncements

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Reclassification

Certain accounts in the 2016 financial statements have been reclassified to conform to the 2017 financial statement presentation.

New York Landmarks Conservancy, Inc.

Notes to Financial Statements
December 31, 2017

3. Concentration of Credit Risk

The Organization maintains cash in bank accounts which at times may exceed federally insured limits. This potentially subjects the Organization to a concentration of credit risk. The Organization has not experienced any losses in such accounts.

Pledges receivable are from limited sources, subjecting the Organization to a concentration of credit risk.

The investment portfolio is managed by professional investment advisors and managers and is diversified by type of investment and industry concentrations so that no individual investment or group of investments represents a significant concentration of market risk.

4. Pledges Receivable

Pledges receivable at December 31, 2017 are deemed fully collectible by management. Collection of these pledges is expected in 2018.

5. Program-Related Loans Receivable

Program-related loans receivable consist of secured loans made to various individuals, corporations and organizations for landmark restoration and preservation of their historic properties. The loans bear interest ranging from 2% to 5% with loan terms expiring through 2023. All loan payments are current as of December 31, 2017.

Based on an evaluation of the historical collectability of outstanding loans receivable, management has deemed that an allowance for uncollectible amounts was not necessary at December 31, 2017. Ultimate losses, however, may vary materially from current estimates at December 31, 2017. Management reviews these estimates on an ongoing basis, and as changes become necessary, adjusts the allowance accordingly.

Scheduled collections on the outstanding loans are to be received as follows:

2018	\$	29,653
2019		28,152
2020		28,802
2021		10,182
2022		8,703
2023		3,703
		<u>3,703</u>
	\$	<u>109,195</u>

New York Landmarks Conservancy, Inc.

Notes to Financial Statements
December 31, 2017

6. Due from New York City Historic Properties Fund, Inc. (NYCHPF)

The Organization has a management contract with NYCHPF, a related party, whereby NYCHPF reimburses the Organization for management and administrative costs provided. During 2017, the Organization was reimbursed \$410,478 by NYCHPF for direct expenses and common costs associated with the administration and management of NYCHPF. At December 31, 2017, the Organization had a receivable from NYCHPF of \$36,229.

7. Investments and Investment Return

Investments at December 31, 2017 consist of:

Mutual Funds, at Fair Value	
Global cash	\$ 163,743
US large cap growth	1,876,769
US large cap value	1,734,827
US large cap	564,758
US mid cap	392,160
International equities	1,249,377
US taxable core	1,245,402
Preferred securities	256,622
Global fixed income other	583,040
REITs	256,181
MLP/energy infrastructure	258,140
Global multi asset	498,473
Total Mutual Funds	<u>9,079,492</u>
Cash and cash equivalents, at cost	<u>202,288</u>
Total Investments	<u>\$ 9,281,780</u>

Investments stated at fair value are measured using Level 1 inputs.

New York Landmarks Conservancy, Inc.

Notes to Financial Statements
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8. Property and Equipment

Property and equipment consist of the following at December 31, 2017:

Furniture and equipment	\$ 178,547
Leasehold improvements	<u>58,894</u>
	237,441
Accumulated depreciation	<u>(212,871)</u>
	<u>\$ 24,570</u>

9. Due to NYCHPF

Investment earnings of \$80,323 from the Brendan Gill endowment fund are owed to NYCHPF at December 31, 2017. The amount was paid subsequent to year-end.

10. Operating Lease

The Organization occupies offices in New York City at One Whitehall Street, under a noncancellable operating lease expiring September 30, 2021. Future minimum lease payments under the terms of the agreement are as follows:

2018	\$ 247,752
2019	247,752
2020	247,752
2021	<u>185,814</u>
	<u>\$ 929,070</u>

Rental expense for 2017 was \$245,040, which included letter of credit fees and tax escalation costs charged by the lessor amounting to \$27,120.

11. Net Assets Without Donor Restrictions

At December 31, 2017, the Board of Directors have designated a portion of the Organization's accumulated net assets without donor restrictions of \$8,431,496 to be used for preservation easements, endangered buildings, grants and future operating purposes.

New York Landmarks Conservancy, Inc.

Notes to Financial Statements
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12. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2017:

Subject to expenditure for a specified purpose:

City Ventures Fund	\$ 56,239
Emergency Grant Program	75,927
Sacred Sites Program	557,857
Porzeolt Foundation	10,000
Lucy G. Moses Awards Endowment	359,120
Brendan Gill Endowment for Historic Preservation	408,695
25 Year Anniversary Fund Endowment	165,345
	<u>1,633,183</u>

Subject to the passage of time:

For periods after December 31, 2017	<u>10,000</u>
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Held as endowment and subject to the Organization's spending policy and appropriation:

Lucy G. Moses Awards Endowment	335,000
Brendan Gill Endowment for Historic Preservation	1,783,225
25 Year Anniversary Endowment	278,843
	<u>2,397,068</u>

Total Net Assets with Donor Restrictions \$ 4,040,251

New York Landmarks Conservancy, Inc.

Notes to Financial Statements
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12. Net Assets With Donor Restrictions (*continued*)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time in 2017 as follows:

Program restrictions accomplished:

City Ventures Fund	\$ 5,000
Emergency Grant Program	59,543
Sacred Sites Program	285,375
Lucy G. Moses Awards Endowment	123,668
Brendan Gill Endowment for Historic Preservation	80,323
25 Year Anniversary Fund Endowment	19,632
Ford Foundation	38,111
NYCHPF	<u>12,000</u>
	623,652

Time restrictions expired:

New York State Council of the Arts	<u>30,000</u>
Total restrictions released	<u>\$ 653,652</u>

13. Endowment

Interpretation of Law

The Organization follows the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), which requires the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary, and except in those cases where the law allows appropriation for spending of the original gift amounts. As a result, the Board of Directors retains in perpetuity (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations of investment returns to the endowment made in accordance with the direction of the 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 retained in perpetuity is subject to appropriation for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by NYPMIFA.

New York Landmarks Conservancy, Inc.

Notes to Financial Statements
December 31, 2017

13. Endowment (continued)

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while attempting to increase the value of the endowment assets, including both donor-restricted and board designated funds.

The Organization utilizes a total return investment approach with its asset allocation diversified over multiple asset classes and sub classes. Endowment return objectives are to exceed composite benchmark results of approximately five percent (5%) over the long term with a moderate level of risk. In order to achieve this objective, the Organization follows the strategy of weighing the asset allocation to higher yielding asset classes, including equities, with marginally higher risk characteristics. The total return objective includes the funding of both the current year spending rate amount and the amount required to be retained pursuant to the Board of Director's interpretation of State law.

Spending Rate Methods

The Organization invests its endowment funds and allocates the related earnings for expenditure in accordance with the total return concept. The endowment usage is determined in accordance with the policy adopted by the Organization. The Board of Directors utilizes various spending methods to determine its annual drawdown from the endowment funds as follows:

Board Designated - at the discretion of the Board of Directors

Donor Restricted:

- Lucy G. Moses Awards Endowment – 4% of the trailing 5 year average of the fair value balance of the endowment fund to offset allocated expenses
- Brendan Gill Endowment for Historic Preservation – 4% of the trailing 5 year average of the fair value balance of the endowment fund to offset allocated expenses
- 25 Year Anniversary Endowment – 5% of the trailing 5 year average of the fair value balance of the endowment fund to offset allocated expenses

New York Landmarks Conservancy, Inc.

Notes to Financial Statements
December 31, 2017

13. Endowment (continued)

Changes in endowment and other invested funds for 2017 consist of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, beginning of year, endowment funds	\$ 4,515,846	\$ 2,634,083	\$ 7,149,929
Interest and dividends	149,845	89,774	239,619
Investment fees	(34,948)	(20,861)	(55,809)
Capital appreciation	613,844	365,796	979,640
Expenditures	(190,720)	(11,800)	(202,520)
Transfers	(121,242)	(99,955)	(221,197)
Balance, end of year, endowment funds	4,932,625	2,957,037	7,889,662
Other investments, not part of endowment funds			
Operating fund	1,068,406	-	1,068,406
Sacred Sites Program	-	323,712	323,712
Total Investments	\$ 6,001,031	\$ 3,280,749	\$ 9,281,780
Comprised of the following:			
Board Designated	\$ 4,852,302	\$ -	\$ 4,852,302
25 Year Anniversary Endowment	-	444,188	444,188
Lucy G. Moses Awards Endowment	-	320,929	320,929
Brendan Gill Endowment	80,323	2,191,920	2,272,243
Total Endowment Funds	4,932,625	2,957,037	7,889,662
Operating fund	1,068,406	-	1,068,406
Sacred Sites Program	-	323,712	323,712
Total Investments	\$ 6,001,031	\$ 3,280,749	\$ 9,281,780
Donor endowed	\$ 80,323	\$ 2,957,037	\$ 3,037,360
Board designated	4,852,302	-	4,852,302
Total Endowment Funds	4,932,625	2,957,037	7,889,662
Operating fund	1,068,406	-	1,068,406
Sacred Sites Program	-	323,712	323,712
Total Investments	\$ 6,001,031	\$ 3,280,749	\$ 9,281,780

New York Landmarks Conservancy, Inc.

Notes to Financial Statements
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13. Endowment (*continued*)

Underwater Endowment Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or NYPMIFA requires the Organization to retain as a fund of perpetual duration.

A deficiency of this nature exists in the Lucy G. Moses Awards endowment fund, which has an original gift value of \$335,000, a current fair value of \$320,929, and a deficiency of \$14,071 as of December 31, 2017. This deficiency resulted from unfavorable market conditions. The Organization has interpreted NYPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

14. Grants Payable

The Organization issues grants to other non-profit organizations. Grants are given throughout the entire State of New York to maintain, repair and restore historic buildings and are given to Sacred Sites, endangered buildings and for emergency preservation. An annual grant is given to the New York City Historic Properties Fund, which is the Organization's main financing vehicle for restoration work throughout New York City. Grants are expensed at time of commitment and are considered a payable at that time.

15. Retirement Plan

The Organization has a 403(b) plan that provides for discretionary contributions for eligible employees, limited to the maximum annual amount allowed by the Internal Revenue Service. The Organization's contributions amounted to \$65,433 in 2017.

16. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 543,929
Pledges receivable	11,000
Due from New York City Historic Properties Fund, Inc.	36,229
Investments	<u>1,068,405</u>
	<u>\$ 1,659,563</u>

New York Landmarks Conservancy, Inc.

Notes to Financial Statements
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16. Liquidity and Availability of Financial Assets (*continued*)

As part of the Organization's liquidity management, the Organization strives to maintain funds to cover all donor restricted non endowed funds in either checking or money market accounts. At year-end any shortfalls are reconciled and funds are transferred from the investment account to a checking account. There is an unrestricted portion of the endowment that can be released if needed. The reconciled balance as of December 31, 2017 was \$1,068,405. In January 2018, \$545,000 was released and transferred to the checking account.

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