

New York Landmarks Conservancy, Inc.

Financial Statements

December 31, 2018

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, 2018, 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, 2018, 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.

Board of Directors
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Report on Summarized Comparative Information

We have previously audited New York Landmarks Conservancy, Inc.'s December 31, 2017 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, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

April 17, 2019

New York Landmarks Conservancy, Inc.

Statement of Financial Position
December 31, 2018
(with comparative amounts at December 31, 2017)

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 3,274,740	\$ 4,839,688
Pledges receivable	23,500	11,000
Program-related loans receivable	131,840	109,195
Due from New York City Historic Properties Fund, Inc.	37,735	36,229
Prepaid expenses and other assets	5,000	10,000
Cash and cash equivalents held for other agencies	107,479	107,303
Investments	8,782,053	6,884,712
Property and equipment, net	15,556	24,570
Investments in perpetuity	2,397,068	2,397,068
	\$ 14,774,971	\$ 14,419,765
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 5,003	\$ 2,586
Grants payable	874,138	788,868
Deferred rent	63,340	86,130
Due to New York City Historic Properties Fund, Inc.	83,684	80,323
Amounts Held for Other Agencies		
Queens Historic Properties Fund	106,688	106,512
West Park Presbyterian Church	791	791
Total Liabilities	1,133,644	1,065,210
Net Assets		
Without Donor Restrictions		
Undesignated	1,368,402	882,808
Board designated	8,420,359	8,431,496
Total Net Assets Without Donor Restrictions	9,788,761	9,314,304
With Donor Restrictions		
Total Net Assets	3,852,566	4,040,251
	\$ 14,774,971	\$ 14,419,765

See notes to financial statements

New York Landmarks Conservancy, Inc.

Statement of Activities Year Ended December 31, 2018 (with summarized totals for the year ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
OPERATING REVENUE AND SUPPORT				
Contributions	\$ 2,487,001	\$ 329,625	\$ 2,816,626	\$ 2,420,148
Special events, net of direct benefit to donors of \$380,132 and \$345,568	1,111,474	50,000	1,161,474	1,138,462
Government grants	27,000	-	27,000	-
Investment return used for operations	248,903	104,149	353,052	304,319
Program services income	356	35,425	35,781	31,325
	3,874,734	519,199	4,393,933	3,894,254
Net assets released from restrictions	462,982	(462,982)	-	-
Total Operating Revenue and Support	4,337,716	56,217	4,393,933	3,894,254
EXPENSES				
Program	2,043,347	-	2,043,347	2,009,029
Administration	335,902	-	335,902	370,865
Development and fundraising	817,789	-	817,789	785,844
Total Expenses	3,197,038	-	3,197,038	3,165,738
Excess of Operating Revenue and Support Over Expenses	1,140,678	56,217	1,196,895	728,516
NON-OPERATING ACTIVITIES				
Non-operating investment return	(666,221)	(243,902)	(910,123)	1,017,157
Change in Net Assets	474,457	(187,685)	286,772	1,745,673
NET ASSETS				
Beginning of year	9,314,304	4,040,251	13,354,555	11,608,882
End of year	\$ 9,788,761	\$ 3,852,566	\$ 13,641,327	\$ 13,354,555

See notes to financial statements

New York Landmarks Conservancy, Inc.

Statement of Functional Expenses
Year Ended December 31, 2018
(with summarized totals for the year ended December 31, 2017)

	Program								Total Program
	Sacred Sites Program	Public Policy	Technical Services	Emergency Grants	Easements	City Ventures Fund	New York City Historic Properties Fund	Endangered Buildings	
Salaries	\$ 326,889	\$ 197,486	\$ 101,016	\$ 65,864	\$ 26,628	\$ 13,366	\$ -	\$ 35,221	\$ 766,470
Payroll taxes and benefits	83,343	56,418	28,859	18,817	7,607	3,818	-	10,062	208,924
Total Salaries and Related Expenses	410,232	253,904	129,875	84,681	34,235	17,184	-	45,283	975,394
Professional fees and purchased services	45,381	27,667	13,350	23,457	3,519	1,766	-	4,655	119,795
Occupancy and insurance	72,759	50,439	25,800	16,822	6,801	3,414	-	8,995	185,030
Equipment lease and maintenance	1,469	1,018	521	340	137	69	-	182	3,736
Telephone	2,946	2,043	1,045	681	275	138	-	364	7,492
Postage, shipping and messenger	1,969	2,022	698	455	184	93	-	293	5,714
Copying, printing and photos	7,297	13,450	1,549	1,010	409	205	-	540	24,460
Supplies	3,027	2,099	1,073	700	283	142	-	374	7,698
Travel, catering, and meetings	11,447	4,622	2,351	1,533	620	311	-	820	21,704
Other events	-	67,551	-	-	-	-	-	-	67,551
Grants - direct	487,330	-	10,625	10,000	-	10,000	83,684	-	601,639
Dues and subscriptions	2,462	1,693	866	564	228	115	-	302	6,230
Depreciation	2,201	1,526	781	509	206	103	-	272	5,598
Fees	4,104	2,845	2,324	949	384	192	-	508	11,306
Advertising	-	-	-	-	-	-	-	-	-
Total Expenses Before Reimbursement	1,052,624	430,879	190,858	141,701	47,281	33,732	83,684	62,588	2,043,347
Reimbursement of expenses	-	-	-	-	-	-	-	-	-
Total Expenses	<u>\$ 1,052,624</u>	<u>\$ 430,879</u>	<u>\$ 190,858</u>	<u>\$ 141,701</u>	<u>\$ 47,281</u>	<u>\$ 33,732</u>	<u>\$ 83,684</u>	<u>\$ 62,588</u>	<u>\$ 2,043,347</u>

See notes to financial statements

New York Landmarks Conservancy, Inc.

Statement of Functional Expenses (continued)

Year Ended December 31, 2018

(with summarized totals for the year ended December 31, 2017)

	Administration					
	Management and General	New York City Historic Properties Fund	Total Administration	Development and Fundraising	2018 Total	2017 Total
Salaries	\$ 172,936	\$ 277,627	\$ 450,563	\$ 269,129	\$ 1,486,162	\$ 1,401,123
Payroll taxes and benefits	49,405	75,357	124,762	76,885	410,571	374,011
Total Salaries and Related Expenses	222,341	352,984	575,325	346,014	1,896,733	1,775,134
Professional fees and purchased services	22,856	-	22,856	35,568	178,219	160,465
Occupancy and insurance	44,168	85,159	129,327	52,292	366,649	356,468
Equipment lease and maintenance	892	1,388	2,280	1,388	7,404	7,336
Telephone	1,789	2,782	4,571	2,783	14,846	15,729
Postage, shipping and messenger	1,198	2,745	3,943	1,860	11,517	13,426
Copying, printing and photos	2,652	4,126	6,778	4,128	35,366	28,159
Supplies	1,837	2,859	4,696	2,860	15,254	16,151
Travel, catering, and meetings	4,025	374	4,399	6,265	32,368	31,700
Other events	-	-	-	-	67,551	121,800
Grants - direct	-	-	-	-	601,639	678,642
Dues and subscriptions	1,482	-	1,482	2,307	10,019	13,071
Depreciation	1,337	-	1,337	2,079	9,014	9,013
Fees	2,492	73	2,565	3,877	17,748	18,680
Advertising	28,833	-	28,833	356,368	385,201	330,442
Total Expenses Before Reimbursement	335,902	452,490	788,392	817,789	3,649,528	3,576,216
Reimbursement of expenses	-	(452,490)	(452,490)	-	(452,490)	(410,478)
Total Expenses	\$ 335,902	\$ -	\$ 335,902	\$ 817,789	\$ 3,197,038	\$ 3,165,738

See notes to financial statements

New York Landmarks Conservancy, Inc.

Statement of Cash Flows
Year Ended December 31, 2018
(with comparative amounts for the year ended December 31, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 286,772	\$ 1,745,673
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	9,014	9,013
Deferred rent	(22,790)	(22,790)
Net realized and unrealized loss (gain) on investments	803,792	(1,108,543)
Changes in operating assets and liabilities		
Pledges receivable	(12,500)	149,000
Due from New York City Historic Properties Fund, Inc.	(1,506)	6,230
Prepaid expenses and other assets	5,000	-
Accounts payable and accrued liabilities	2,417	(195)
Grants payable	85,270	23,525
Due to New York City Historic Properties Fund, Inc.	3,361	2,323
Net Cash from Operating Activities	1,158,830	804,236
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans issued	(73,323)	(103,736)
Loan repayments	50,678	59,964
Proceeds from sales of investments	4,841,332	384,717
Purchase of investments	(7,569,130)	(468,525)
Change in short term investments	26,665	112,958
Net Cash from Investing Activities	(2,723,778)	(14,622)
Net Change in Cash and Cash Equivalents	(1,564,948)	789,614
CASH AND CASH EQUIVALENTS		
Beginning of the year	4,839,688	4,050,074
End of the year	\$ 3,274,740	\$ 4,839,688

See notes to financial statements

New York Landmarks Conservancy, Inc.

Notes to Financial Statements
December 31, 2018

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, 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 realizable 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, 2018

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 depreciated 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
December 31, 2018

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 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, 2018

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 2015.

Advertising

Advertising costs are expensed as incurred and amounted to \$385,201 for the year ended December 31, 2018.

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 April 17, 2019.

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 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.

New York Landmarks Conservancy, Inc.

Notes to Financial Statements
December 31, 2018

4. Pledges Receivable

Pledges receivable at December 31, 2018 are deemed fully collectible by management. Collection of these pledges is expected in 2019.

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 3% with loan terms expiring through 2023. All loan payments are current as of December 31, 2018.

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, 2018. Ultimate losses, however, may vary materially from current estimates at December 31, 2018. 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:

2019	\$	35,805
2020		36,754
2021		24,708
2022		24,252
2023		10,321
		<u>131,840</u>
	\$	<u>131,840</u>

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 2018, the Organization was reimbursed \$452,490 by NYCHPF for direct expenses and common costs associated with the administration and management of NYCHPF. At December 31, 2018, the Organization had a receivable from NYCHPF of \$37,735.

New York Landmarks Conservancy, Inc.

Notes to Financial Statements
December 31, 2018

7. Investments

Investments at December 31, 2018 consist of:

Mutual Funds, at Fair Value	
Global cash	\$ 464,066
US large cap growth	1,976,503
US large cap value	1,904,585
US large cap	767,254
US mid cap	561,507
International equities	1,418,756
US taxable core	1,451,957
Preferred securities	338,776
Short term fixed income	696,836
REITs	214,808
MLP/energy infrastructure	322,539
Global multi asset	885,911
Total Mutual Funds	<u>11,003,498</u>
Cash and cash equivalents, at cost	<u>175,623</u>
Total Investments	<u>\$ 11,179,121</u>

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

8. Property and Equipment

Property and equipment consist of the following at December 31, 2018:

Furniture and equipment	\$ 178,547
Leasehold improvements	<u>58,894</u>
	237,441
Accumulated depreciation	<u>(221,885)</u>
	<u>\$ 15,556</u>

9. Due to NYCHPF

Investment earnings of \$83,684 from the Brendan Gill endowment fund are owed to NYCHPF at December 31, 2018. The amount was paid subsequent to year-end.

New York Landmarks Conservancy, Inc.

Notes to Financial Statements
December 31, 2018

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:

2019	\$ 247,752
2020	247,752
2021 (nine months)	<u>185,814</u>
	<u>\$ 681,318</u>

Rental expense for 2018 was \$252,847, which included letter of credit fees and tax escalation costs charged by the lessor amounting to \$27,885.

11. Net Assets Without Donor Restrictions

At December 31, 2018, the Board of Directors has designated a portion of the Organization's accumulated net assets without donor restrictions of \$8,420,359 to be used for preservation grants and easements, restoration of endangered buildings, and future operating purposes.

New York Landmarks Conservancy, Inc.

Notes to Financial Statements
December 31, 2018

12. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2018:

Subject to expenditure for a specified purpose:

City Ventures Fund	\$ 46,239
Emergency Grant Program	93,679
Sacred Sites Program	466,679
Porzeolt Foundation	8,433
Lucy G. Moses Awards Endowment	375,413
Brendan Gill Endowment for Historic Preservation	229,759
Frederick Law Olmstead House	50,354
25 Year Anniversary Fund Endowment	<u>124,942</u>
	<u>1,395,498</u>

Subject to the passage of time:

For periods after December 31, 2018	<u>60,000</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	<u>278,843</u>
	<u>2,397,068</u>

Total Net Assets with Donor Restrictions \$ 3,852,566

New York Landmarks Conservancy, Inc.

Notes to Financial Statements
December 31, 2018

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 2018 as follows:

Program restrictions accomplished:

City Ventures Fund	\$ 10,000
Emergency Grant Program	24,753
Sacred Sites Program	220,792
Porzeolt Foundation	1,567
Lucy G. Moses Awards Endowment	90,853
Brendan Gill Endowment for Historic Preservation	83,684
25 Year Anniversary Fund Endowment	20,465
Frederick Law Olmstead House	<u>868</u>
	452,982

Time restrictions expired:

Pledges Timing	<u>10,000</u>
Total Restrictions Released	<u>\$ 462,982</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, 2018

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, 2018

13. Endowment (continued)

Changes in endowment and other invested funds for 2018 consist of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, beginning of year, endowment funds	\$ 4,932,625	\$ 2,957,037	\$ 7,889,662
Additions	3,555,000	-	3,555,000
Investment return, net	(402,563)	(128,469)	(531,032)
Expenditures	(175,422)	(12,200)	(187,622)
Transfers	(137,435)	(104,149)	(241,584)
Balance, end of year, endowment funds	7,772,205	2,712,219	10,484,424
Other investments, not part of endowment funds			
Operating fund	437,463	-	437,463
Sacred Sites Program	-	257,234	257,234
Total Investments	<u>\$ 8,209,668</u>	<u>\$ 2,969,453</u>	<u>\$ 11,179,121</u>
Comprised of the following			
Board Designated	\$ 7,688,520	\$ -	\$ 7,688,520
25 Year Anniversary Endowment	-	403,784	403,784
Lucy G. Moses Awards Endowment	-	295,451	295,451
Brendan Gill endowment	-	2,012,984	2,012,984
Total Endowment Funds	7,688,520	2,712,219	10,400,739
Operating fund	437,463	-	437,463
Brendan Gill investment earnings not yet disbursed	83,685	-	83,685
Sacred Sites Program	-	257,234	257,234
Total Investments	<u>\$ 8,209,668</u>	<u>\$ 2,969,453</u>	<u>\$ 11,179,121</u>
Donor endowed	\$ -	\$ 2,712,219	\$ 2,712,219
Board designated	7,688,520	-	7,688,520
Total Endowment Funds	7,688,520	2,712,219	10,400,739
Operating fund	437,463	-	437,463
Brendan Gill investment earnings not yet disbursed	83,685	-	83,685
Sacred Sites Program	-	257,234	257,234
Total Investments	<u>\$ 8,209,668</u>	<u>\$ 2,969,453</u>	<u>\$ 11,179,121</u>

New York Landmarks Conservancy, Inc.

Notes to Financial Statements
December 31, 2018

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 \$295,451, and a deficiency of \$39,549 as of December 31, 2018. 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 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 \$63,458 in 2018.

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	\$ 2,280,067
Pledges receivable	23,500
Due from New York City Historic Properties Fund, Inc.	37,735
Investments	437,463
	<u>\$ 2,778,765</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 a portion of the endowment without donor restriction that can be released if needed and the balance as of December 31, 2018 was \$437,463.

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