

CHARLESTON PARKS CONSERVANCY
FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

CHARLESTON PARKS CONSERVANCY

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

TABLE OF CONTENTS

Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3-4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-18



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Charleston Parks Conservancy
Charleston, South Carolina

We have audited the accompanying financial statements of Charleston Parks Conservancy, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years 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 from 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 auditor's 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 Charleston Parks Conservancy as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, Not for Profit Entities: Presentation of Financial Statement of Not-for-Profit Entities. The Conservancy adopted ASU 2016-14 during the year ended December 31, 2018, and it was applied retrospectively. The adoption of this standard did not have any impact on the Conservancy's net assets or changes in net assets. Our opinion is not modified with respect to this matter.

DCPAS, LLC dba Davis & Company CPAs

Mount Pleasant, South Carolina
September 11, 2019

**CHARLESTON PARKS CONSERVANCY
STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
Assets		
Cash	\$ 1,974,119	\$ 2,121,238
Contributions receivable, net	36,252	89,984
Grants receivable	36,176	-
Deposits	-	500
Prepaid expenses	7,099	1,491
Investments	7,771,473	8,874,000
Property and equipment, net	56,529	36,817
Total Assets	\$ 9,881,648	\$ 11,124,030
Liabilities and Net Assets		
Accounts payable	\$ 47,286	\$ 46,713
Accrued expenses	201,571	30,791
Total liabilities	248,857	77,504
Net Assets		
Without donor restrictions		
Board designated operating reserve	8,571,078	9,636,452
With donor restrictions	1,061,713	1,410,074
Total net assets	9,632,791	11,046,526
Total Liabilities and Net Assets	\$ 9,881,648	\$ 11,124,030

See the accompanying notes.

**CHARLESTON PARKS CONSERVANCY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 409,468	\$ 640,575	\$ 1,050,043
In-kind contributions	127,952	-	127,952
Special events	233,608	11,080	244,688
Grants	-	38,676	38,676
Program revenues	82,612	107,550	190,162
Interest income	26,813	63	26,876
Dividend income	492,280	-	492,280
Other investment income	9,986	-	9,986
Net realized and unrealized loss	<u>(1,004,039)</u>	<u>-</u>	<u>(1,004,039)</u>
Subtotal	378,680	797,944	1,176,624
Net assets released from restriction	<u>1,146,305</u>	<u>(1,146,305)</u>	<u>-</u>
Total support and revenue	1,524,985	(348,361)	1,176,624
EXPENSES			
Program expenses	1,742,096	-	1,742,096
Management and general	311,137	-	311,137
Fundraising	<u>537,126</u>	<u>-</u>	<u>537,126</u>
Total expenses	<u>2,590,359</u>	<u>-</u>	<u>2,590,359</u>
CHANGE IN NET ASSETS	(1,065,374)	(348,361)	(1,413,735)
NET ASSETS, beginning of the year	<u>9,636,452</u>	<u>1,410,074</u>	<u>11,046,526</u>
NET ASSETS, end of the year	<u>\$ 8,571,078</u>	<u>\$ 1,061,713</u>	<u>\$ 9,632,791</u>

See the accompanying notes.

**CHARLESTON PARKS CONSERVANCY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 891,782	\$ 408,848	\$ 1,300,630
In-kind contributions	13,950	-	13,950
Special events	294,569	-	294,569
Grants	10,000	5,000	15,000
Program revenues	11,093	-	11,093
Recovery of bad debt	23,500	-	23,500
Interest income	30,060	-	30,060
Dividend income	301,046	-	301,046
Net realized and unrealized gain, net	<u>565,492</u>	<u>-</u>	<u>565,492</u>
Subtotal	2,141,492	413,848	2,555,340
Net assets released from restriction	<u>348,304</u>	<u>(348,304)</u>	<u>-</u>
Total support and revenue	2,489,796	65,544	2,555,340
EXPENSES			
Program expenses	992,103	-	992,103
Management and general	300,520	-	300,520
Fundraising	<u>474,836</u>	<u>-</u>	<u>474,836</u>
Total expenses	<u>1,767,459</u>	<u>-</u>	<u>1,767,459</u>
CHANGE IN NET ASSETS	722,337	65,544	787,881
NET ASSETS, beginning of the year	<u>8,914,115</u>	<u>1,344,530</u>	<u>10,258,645</u>
NET ASSETS, end of the year	<u>\$ 9,636,452</u>	<u>\$ 1,410,074</u>	<u>\$ 11,046,526</u>

See accompanying notes.

**CHARLESTON PARKS CONSERVANCY
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
COMPENSATION AND RELATED EXPENSES				
Salaries	\$ 577,659	\$ 74,294	\$ 219,057	\$ 871,010
Employee benefits	19,729	98,561	6,857	125,147
Payroll taxes	40,857	4,257	15,493	60,607
Total compensation and related expenses	<u>638,245</u>	<u>177,112</u>	<u>241,407</u>	<u>1,056,764</u>
OTHER EXPENSES				
Hardscape	428,834	-	-	428,834
Professional fees	319,060	32,978	22,207	374,245
Events	29,699	-	201,903	231,602
Design	140,660	-	30	140,690
Advertising and marketing	48,443	-	37,836	86,279
Occupancy	6,567	66,144	397	73,108
Plants, mulch, and compost	46,256	-	-	46,256
Conferences, meetings, and travel	14,920	3,342	10,061	28,323
Supplies	18,686	-	167	18,853
Wi-Fi construction and maintenance	18,000	-	-	18,000
Books, subscriptions, and reference	3,721	3,188	6,622	13,531
Telephone and telecommunications	5,380	4,977	2,219	12,576
Miscellaneous	2,543	467	7,711	10,721
Insurance	2,879	7,781	-	10,660
Office supplies	4,501	5,483	231	10,215
Depreciation	-	8,784	-	8,784
Automobile	7,842	395	-	8,237
Bank service charges	139	466	5,986	6,591
Equipment rental	2,057	-	349	2,406
Landscaping	2,228	-	-	2,228
Meal and entertainment	1,436	20	-	1,456
Total expenses	<u>\$ 1,742,096</u>	<u>\$ 311,137</u>	<u>\$ 537,126</u>	<u>\$ 2,590,359</u>

See accompanying notes.

**CHARLESTON PARKS CONSERVANCY
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
COMPENSATION AND RELATED EXPENSES				
Salaries	\$ 517,222	\$ 87,878	\$ 191,235	\$ 796,335
Employee benefits	31,709	78,522	5,304	115,535
Payroll taxes	38,090	5,826	14,178	58,094
Total compensation and related expenses	<u>587,021</u>	<u>172,226</u>	<u>210,717</u>	<u>969,964</u>
OTHER EXPENSES				
Events	24,811	523	173,231	198,565
Professional fees	64,188	52,544	15,996	132,728
Plants, mulch, and compost	73,486	-	-	73,486
Advertising and marketing	28,904	1,156	41,154	71,214
Occupancy	21,788	35,438	6,244	63,470
Design	51,781	-	-	51,781
Supplies	31,382	10,406	5,981	47,769
Conferences, meetings, and travel	26,362	1,135	2,349	29,846
Wi-Fi construction and maintenance	24,000	-	-	24,000
Hardscape	15,176	-	-	15,176
Discount on premium	-	12,500	-	12,500
Miscellaneous	8,245	-	2,388	10,633
Telephone and telecommunications	4,715	3,781	1,801	10,297
Automobile	10,174	-	40	10,214
Depreciation	7,195	726	1,410	9,331
Books, subscriptions, and reference	1,878	4,742	2,639	9,259
Bank service charges	888	872	6,458	8,218
Insurance	2,711	4,029	-	6,740
Postage	-	442	4,351	4,793
Landscaping	4,061	-	-	4,061
Equipment rental	2,539	-	-	2,539
Meal and entertainment	798	-	77	875
Total expenses	<u>\$ 992,103</u>	<u>\$ 300,520</u>	<u>\$ 474,836</u>	<u>\$ 1,767,459</u>

See accompanying notes.

**CHARLESTON PARKS CONSERVANCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (1,413,735)	\$ 787,881
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities		
Depreciation	8,784	9,331
Recovery of bad debt	-	(26,500)
Unrealized (gains) losses	926,300	(637,174)
(Increase) decrease in operating assets		
Contributions receivable	53,732	(23,492)
Grants receivable	(36,176)	-
Deposits	500	3,800
Prepaid expenses	(5,608)	3,923
Increase (decrease) in operating liabilities		
Accounts payable	573	44,602
Accrued expenses	170,780	29,819
Net cash provided (used) by operating activities	<u>(294,850)</u>	<u>192,190</u>
Cash flows from Investing Activities		
Purchase of property and equipment	(28,496)	(17,320)
Purchase of investments	(388,184)	(150,000)
Changes in investments	564,411	16,803
Net cash (used in) provided by investing activities	<u>147,731</u>	<u>(150,517)</u>
Net change in cash and cash equivalents	<u>(147,119)</u>	<u>41,673</u>
Beginning cash and cash equivalents	<u>2,121,238</u>	<u>2,079,565</u>
Ending cash and cash equivalents	<u>\$ 1,974,119</u>	<u>\$ 2,121,238</u>
Supplemental information:		
Foreign taxes paid	\$ <u>3,443</u>	\$ <u>4,130</u>
In-kind contributions	\$ <u>127,952</u>	\$ <u>13,950</u>

See accompanying notes.

**CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Purpose of the Organization

The Charleston Parks Conservancy (the Conservancy) was incorporated in December 2006 as a nonprofit organization under the laws of South Carolina. The Conservancy is a charitable organization with a mission to inspire the people of Charleston to connect with their parks and together create stunning public spaces and a strong community. The Conservancy unites local resources, leverages support and organizes volunteers to be stewards of Charleston's urban parks. The Conservancy's support and revenue come primarily from contributions and grants, special events and income on investments.

The Conservancy operates a variety of programs to make parks beautiful, keep parks beautiful, and make parks fun and lively. The park Renovations program is aimed at restoring, rejuvenating, and reinventing community parks and green spaces by replacing outdated equipment, developing long-term park functionality plans, and redesigning existing parks for optimal use. With the Garden in the Parks program, the Conservancy partners with local government and community volunteers to provide continuous care and maintenance to various parks and green spaces. The Conservancy is a significant local resource for gardening education, particularly regional and Lowcountry-based gardening practices. Through the Community Garden program, the Conservancy maintains three community gardens and provides opportunities for anyone to lease garden plots, learn to garden naturally, provide fresh food for local food banks, and advance knowledge of the environment and local community. The Conservancy also provides free wifi in several parks, through a partnership with Charleston Digital Corridor and The Speedwell Foundation.

The Conservancy recently introduced a public art initiative, Art in the Parks, a collaborative temporary, contemporary art program within Charleston's public spaces and parks. The Conservancy also hosts many free or low cost community events in the parks including Teddy Bear Picnic, Movie Nights, Jazz Brunch at Hampton Park, and many more.

The activities of the Conservancy are concentrated in the Charleston, South Carolina geographical area.

The Conservancy is an organization exempt from income taxation under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and is exempt from state income taxes under related state provisions.

Basis of Accounting

The Conservancy uses the accrual basis of accounting for the preparation of the financial statements. Accrual basis accounting is an accounting principle generally accepted in the United States of America which recognizes revenues when they are earned or billed, rather than when they are received, and expenses when they are incurred, rather than when they are paid.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are place by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the board limits resulting for the nature of the organizations, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

**CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor imposed restrictions are perpetual in nature; the Conservancy must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment are reported as net assets with donor restrictions until the specified asset is placed in service by the Conservancy, unless the donor provides more specific directions about the period of its use.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Cash and Cash Equivalents

The Conservancy considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. This includes cash in banks and money market accounts. The carrying amounts reported in the financial statements for cash and cash equivalents approximate those assets' fair values.

Contributions and Grants Receivable

Contributions and grants receivable are recognized as revenues in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional contributions receivable are recognized when the conditions on which they depend are substantially met. The Conservancy uses the allowance method to account for uncollectible promises to give. The allowance is based on management's estimate of the collectability of the promises and historical experience.

Property and Equipment

Property and equipment over \$2,500 is capitalized and stated at cost or, if donated, at fair value at the date of donation, less accumulated depreciation. The cost of assets retired is otherwise disposed and the related accumulated depreciation is eliminated from the account. The net book value of assets traded is added to the cost of the replacement asset.

Expenditures for maintenance and repairs are charged directly to operations as incurred. Depreciation is charged to operations over the estimated useful lives of the assets, principally ranging from 40 years for buildings, 5 to 7 years for furniture and fixtures and 3 to 5 years for computer equipment, using the straight-line method.

**CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Investments

Investments consist primarily of assets invested in cash equivalents and alternative investments. The Conservancy accounts for investments in accordance with FASB ASC 958-320 and subsections. This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the statement of financial position. Fair value of marketable equity and debt securities is based on quoted market prices. Alternative investments are stated at the fair value of their underlying assets and allocated to the investors in proportion to the investor's ownership percentage. Donated investments are recorded as contributions at their fair market value on the date of the gift. The realized and unrealized gain or loss on investments is reflected in the changes in net assets.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Board Designated Net Assets

The Board adopted an Operating Reserve Fund Policy which established a target minimum fund of one year of average monthly operating costs. The calculation of average monthly operating costs shall include all recurring, predictable expenses, such as salaries and benefits, occupancy, office, travel, program, and ongoing professional services.

Expense Allocation

The costs of providing various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated to the various functions benefited using a reasonable allocation method that is consistently applied as follows:

- Salaries and wages, and employee benefits are allocated to departments based on area worked. Employees that have more than one area of responsibility are allocated based on time spent working in those areas.
- Expenses that cannot be directly identified are allocated based on management's estimate of the amount of time spent or value used in each department.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Income Tax Status

The Conservancy is a nonprofit corporation status as described under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Conservancy may be subject to income taxes that are classified as unrelated business income.

Management has evaluated the tax positions of the Conservancy and does not believe that any uncertain tax positions or unrecognized tax benefits exist for the year ended December 31, 2018. The Conservancy's policy is to report accrued interest related to unrecognized tax benefits, when applicable, as interest expense and to report penalties as other expense. The Conservancy is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Accounting of Contributions

Contributions, including contributions receivable, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Contributions receivable with payments due in the future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contributions is clearly intended to support activities in the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until as conditions on which they depend are substantially met.

Fair value of financial instruments

The estimated fair values of the Conservancy's short-term financial investments, including cash, cash equivalents, pledges receivable, and investments arising in the ordinary course of business, approximate their individual carrying value due to their relatively short period of time between their origination and expected realization. The Conservancy holds other financial instruments for which the fair values are disclosed in Note 4.

Compensated Absences

Compensated absences are earned by employees based on years of service and are given an annual allotment of hours on January 1st each year. Any balance of hours cannot be carried over to the following year and employees cannot be paid for unused leave if not all hours are taken annually.

Gifts-In-Kind Contributions

The Conservancy records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional contribution receivable at the date of gift, and the expense is report over the term of the use. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

**CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Gifts-In-Kind Contributions (continued)

No amounts have been reflected in the financial statements for donated services. The Conservancy pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Conservancy with campaign solicitations and various committee assignments.

Reclassifications

Certain amounts from the prior year have been reclassified to conform to the 2018 presentation without affecting the previously reported net assets.

New Accounting Pronouncements

The Financial Accounting Standards Board (FASB), on August 18, 2016, published Accounting Standards Updated (ASU) No. 2016-14, Not for Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities. The standard changes how not-for-profit organizations classify their net assets, with groups required to categorize assets as either those with donor restrictions or without. The standard also requires new information about an organization's liquidity and an analysis of expenses by nature and function. The update aims to help charities, universities, foundations, and other not for-profit groups better convey how they spend and manage their resources. The Conservancy has elected to adopt this standard for the year ended December 31, 2018 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

NOTE 2 - AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure, that are without donor or other restrictions limiting their use within one year of the Statement of Financial Position date of December 31, 2018, comprise of the following at December 31, 2018:

Financial assets:	
Cash and cash equivalents, without donor restrictions	\$ 1,974,119
Investments	7,771,473
Contributions receivable, net	36,252
Grant receivable	36,176
Total financial assets	<u>9,818,020</u>
Less financial assets held to meet donor-imposed restrictions:	
Purpose restricted net assets	(1,046,213)
Less financial assets not available within one year:	
Contributions receivable	<u>(7,160)</u>
Amount available for general expenditures within one year	<u>\$ 8,764,647</u>

As part of its liquidity plan, the Conservancy has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The Board designates funds for future operations and therefore those restrictions are not reflected as outside future obligations.

**CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Contributions receivable, gross	\$ 44,592	\$ 101,884
Less: unamortized discount	(4,840)	(7,900)
Less: allowance for uncollectible pledges	<u>(3,500)</u>	<u>(4,000)</u>
Contributions receivable, net	<u>\$ 36,252</u>	<u>\$ 89,984</u>

A summary of contributions receivable expected to be collected are as follows:

Less than one year	\$ 29,092
Two to five years	<u>7,160</u>
Total	<u>\$ 36,252</u>

NOTE 4 - INVESTMENTS

Investments held by the Conservancy are in cash equivalents and limited partnership funds. Investments are stated at fair market value and consist of the following at December 31:

	<u>2018</u>	
	<u>Cost</u>	<u>Market Value</u>
Cash equivalents	\$ 827,522	\$ 827,522
Limited partnership funds:		
Fixed income	518,746	533,862
Global equities	3,320,000	3,511,687
Hedge funds	<u>2,793,999</u>	<u>2,898,402</u>
	<u>\$ 7,460,267</u>	<u>\$ 7,771,473</u>
	<u>2017</u>	
	<u>Cost</u>	<u>Market Value</u>
Cash equivalents	\$ 914,056	\$ 914,056
Limited partnership funds:		
Fixed income	688,933	709,997
Global equities	3,320,000	4,285,108
Hedge funds	<u>2,793,999</u>	<u>2,964,839</u>
	<u>\$ 7,716,988</u>	<u>\$ 8,874,000</u>

The cost basis for the limited partnership funds are based on historical cost.

**CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Conservancy has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

For the years ended December 31, 2018 and 2017, the application of valuation techniques applied to similar assets and liabilities have been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value. The fair value of investments is based on quoted market rates.

Cash equivalents including US Treasury Obligations: Determined using contractual cash flows and the interest rate determined by the closing bid price on the last day of business of the fiscal year if the same or obligation with a similar maturity is actively traded.

Limited Partnerships: Funds are valued based on the percentage of ownership in the partnership and its underlying investments as determined by the partnership agreement. The limited partnerships invest with the managers through funds or in separately managed accounts pursuing various US equity market equities, emerging market equities, international developed equities, hedge and fixed income strategies. Within the limited partnerships, inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The determination of what constitutes "observable" requires significant judgment by the Investment Manager. The Investment Manager considers observable data to be the market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple independent sources that are actively involved in the relevant market. The categorization of an instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Investment Manager's perceived risk of that instrument.

**CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Description	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 827,522	\$ -	\$ -	\$ 827,522
Limited partnership funds:				
Fixed income	-	533,862	-	533,862
Global equities	-	3,511,687	-	3,511,687
Hedge funds	-	2,898,402	-	2,898,402
Total	\$ 827,522	\$ 6,943,951	\$ -	\$ 7,771,473

Description	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 914,056	\$ -	\$ -	\$ 914,056
Limited partnership funds:				
Fixed income	-	709,997	-	709,997
Global equities	-	4,285,108	-	4,285,108
Hedge funds	-	2,964,839	-	2,964,839
Total	\$ 914,056	\$ 7,959,944	\$ -	\$ 8,874,000

Management evaluates significant transfers between levels based upon the nature of the financial instrument and size of the transfer related to net assets. There were no significant transfers between levels 1, 2 or 3 during the year ending December 31, 2018.

NOTE 6 - CONCENTRATIONS

The Conservancy maintains its cash and cash equivalents with various financial institutions covered by the Federal Deposit Insurance Corporation (FDIC). Cash guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Conservancy's uninsured cash balance was \$1,438,837 and \$1,440,121 as of December 31, 2018 and 2017, respectively.

Cash (money market fund) in an investment account is held in safekeeping at a national brokerage firm. The firm participates in the Securities Investor Protection Corporation (SIPC), which protects SPIC-eligible assets in each account up to a maximum of \$500,000, of which \$250,000 may be in cash. At December 31, 2018 and 2017, the total cash and money market funds held by the firms for the Conservancy was \$827,522 and \$914,056, respectively of which \$577,522 and \$664,056, respectively was uninsured.

The Conservancy serves one geographical area which is located in Charleston, South Carolina.

The Conservancy received 47% of revenue from two sources and 50% of revenue from two sources during the years ended December 31, 2018 and 2017, respectively.

**CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Furniture and fixtures	\$ 70,810	\$ 70,810
Software	32,662	32,662
Vehicles and equipment	<u>63,794</u>	<u>35,297</u>
Total cost	167,266	138,769
Less: accumulated depreciation	<u>(110,737)</u>	<u>(101,952)</u>
Net property and equipment	<u>\$ 56,529</u>	<u>\$ 36,817</u>

Depreciation expense charged to operations was \$8,874 and \$9,331 for the years ending December 31, 2018 and 2017, respectively.

NOTE 8 - IN KIND CONTRIBUTIONS

The Conservancy is provided the use of office space by the City of Charleston Department of Parks as an in-kind contribution. The Conservancy records the in-kind contribution and related occupancy expense as the estimated fair value of the rent. The Conservancy recognized an in-kind contribution of \$7,200 related to office space during the years ended December 31, 2018 and 2017, respectively.

The Conservancy received other in-kind contributions for various services and products, including donated program supplies and other goods and services contributed as in-kind sponsorships for various Conservancy programs and events. The recorded amounts for other in-kind contributions totaled \$120,752 and \$6,750 for the years ended December 31, 2018 and 2017, respectively.

NOTE 9 - ADVERTISING EXPENSES

Advertising costs are expensed as incurred. Advertising and marketing expenses was \$86,279 and \$71,214 for the years ended December 31, 2018 and 2017, respectively.

NOTE 10 - RETIREMENT PLAN

The Conservancy offers a section 401(k) retirement plan to employees. Full time employees are eligible to participate and contribute up to the maximum amount permitted by law. The Conservancy matches up to 3% of employee salary deferrals. During the years ended December 31, 2018 and 2017, the Conservancy made matching contributions totaling \$25,993 and \$11,972, respectively.

NOTE 11 - RELATED PARTY TRANSACTIONS

A board member works with a firm that provides design services for many of the Conservancy projects. The Conservancy paid \$10,313 and \$1,987 for these design services during 2018 and 2017, respectively.

Board members made various contributions to the Conservancy during the 2018 and 2017.

**CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 12 - LEASE COMMITMENTS

The Conservancy leases office space under a five year non-cancelable lease agreement dated March 1, 2017. Monthly payments start at \$4,000 with a yearly increase of \$500 beginning on March 1, 2018. Future minimum lease payments under the agreement are as follows for the year ended December 31:

2019	\$	59,000
2020		65,000
2021		71,000
2022		12,000
	\$	<u>207,000</u>

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS

The Conservancy has net assets with donor restrictions that are available for the following purposes as of December 31, 2018 and 2017:

	2018	2017
<u>Purpose restrictions, available for spending:</u>		
Art in the Parks	\$ 16,924	\$ 21,572
Charleston Trees	65,090	64,334
Colonial Lake	188,518	237,766
Community Engagement	50,000	12,824
Corrine Jones Community Garden	550	-
Hampton Park	155,315	487,827
Hazel Parker Playground	194	256
Logan Street Triangle	243	351
Magnolia Community Garden	378	-
Maybank Tennis Center	496	496
Maybank Tennis Center- Backboard	80	80
Moultrie Playground	281,034	153,534
Muni Golf Course	11,550	-
Olmsted Intern	7,949	11,888
Professional Development	23,422	25,565
Riley Waterfront Park	9,043	51,844
Riverland Terrace Triange	500	-
St. Julian Devine	155,481	208,432
Theodora Park	-	2,820
Tiedemann Park	315	-
West Ashley Greenway	-	91,674
West Ashley Greenway General Program	50,000	-
Wi-Fi in the Park	29,131	23,427
Total purpose restrictions	1,046,213	1,394,690
<u>Time restrictions:</u>		
Contribution receivables not restricted by donors, but are unavailable for expenditure until due	15,500	15,384
Total time restrictions	15,500	15,384
Total net assets with donor restrictions	\$ 1,061,713	\$ 1,410,074

**CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

NOTE 14 - SUBSEQUENT EVENTS

In accordance with ASC 855, the Conservancy evaluated subsequent events through the report date, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.