

CHARLESTON PARKS CONSERVANCY
FINANCIAL STATEMENTS
DECEMBER 31, 2017

CHARLESTON PARKS CONSERVANCY

FINANCIAL STATEMENTS

DECEMBER 31, 2017

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Charleston Parks Conservancy, 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 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, 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.

Other Matters

The financial statements of Charleston Parks Conservancy as of December 31, 2016 were audited by other auditors whose report dated August 18, 2017, expressed an unmodified opinion on those statements.

DCPAS, LLC dba Davis & Company CPAs

Mount Pleasant, South Carolina
September 20, 2018

**CHARLESTON PARKS CONSERVANCY
STATEMENTS OF FINANCIAL POSITION**

Assets	<u>2017</u>	<u>2016</u>
Current Assets		
Cash	\$ 2,121,238	\$ 2,079,565
Pledges receivable, net	89,984	66,492
Deposits	500	4,300
Prepaid expenses	<u>1,491</u>	<u>5,414</u>
Total current assets	2,213,213	2,155,771
Investments	8,874,000	8,314,629
Plant and equipment, net	<u>36,817</u>	<u>28,828</u>
Total Assets	<u><u>\$ 11,124,030</u></u>	<u><u>\$ 10,499,228</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 47,685	\$ 3,083
Accrued expenses	29,819	-
Short term notes payable	<u>-</u>	<u>237,500</u>
Total current liabilities	77,504	240,583
Net Assets		
Unrestricted		
Board designated operating reserve	9,636,452	8,914,115
Temporarily Restricted	<u>1,410,074</u>	<u>1,344,530</u>
Total net assets	<u>11,046,526</u>	<u>10,258,645</u>
Total Liabilities and Net Assets	<u><u>\$ 11,124,030</u></u>	<u><u>\$ 10,499,228</u></u>

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

	<u>Unrestricted</u>	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Total</u>
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	-	565,492	-	565,492
Subtotal	1,244,894	896,598	413,848	2,555,340
Net assets released from restriction	522,565	(174,261)	(348,304)	-
Total support and revenue	1,767,459	722,337	65,544	2,555,340
EXPENSES				
Program expenses	992,103	-	-	992,103
Management and general	300,520	-	-	300,520
Fundraising	474,836	-	-	474,836
Total expenses	1,767,459	-	-	1,767,459
CHANGE IN NET ASSETS	-	722,337	65,544	787,881
NET ASSETS, beginning of the year	-	8,914,115	1,344,530	10,258,645
NET ASSETS, end of the year	\$ -	\$ 9,636,452	\$ 1,410,074	\$ 11,046,526

See the accompanying notes.

**CHARLESTON PARKS CONSERVANCY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES				
Contributions	\$ 672,593	\$ -	\$ 715,039	\$ 1,387,632
In-kind contributions	9,564	-	-	9,564
Special events	266,044	-	-	266,044
Grants	36,000	-	22,500	58,500
Program revenues	8,075	-	-	8,075
Interest income	-	2,868	-	2,868
Dividend income	-	127,858	-	127,858
Net realized and unrealized gain, net	-	205,055	-	205,055
Subtotal	992,276	335,781	737,539	2,065,596
Net assets released from restriction	552,150	(104,058)	(448,092)	-
Total support and revenue	1,544,426	231,723	289,447	2,065,596
EXPENSES				
Program expenses	893,623	-	-	893,623
Management and general	182,831	-	-	182,831
Fundraising	467,972	-	-	467,972
Total expenses	1,544,426	-	-	1,544,426
CHANGE IN NET ASSETS	-	231,723	289,447	521,170
NET ASSETS, beginning of the year	-	8,682,392	1,055,083	9,737,475
NET ASSETS, end of the year	\$ -	\$ 8,914,115	\$ 1,344,530	\$ 10,258,645

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
Hardscape	15,176	-	-	15,176
Advertising and marketing	28,904	1,156	41,154	71,214
Occupancy	21,788	35,438	6,244	63,470
Insurance	2,711	4,029	-	6,740
Plants, mulch, and compost	73,486	-	-	73,486
Conferences, meetings, and travel	26,362	1,135	2,349	29,846
Miscellaneous	8,245	-	2,388	10,633
Landscaping	4,061	-	-	4,061
Wi-Fi construction and maintenance	24,000	-	-	24,000
Design	51,781	-	-	51,781
Supplies	31,382	10,406	5,981	47,769
Telephone and telecommunications	4,715	3,781	1,801	10,297
Meal and entertainment	798	-	77	875
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
Equipment rental	2,539	-	-	2,539
Bank service charges	888	872	6,458	8,218
Postage	-	442	4,351	4,793
Discount on premium	-	12,500	-	12,500
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
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
COMPENSATION AND RELATED EXPENSES				
Salaries	\$ 350,748	\$ 99,191	\$ 190,428	\$ 640,367
Employee benefits	26,770	1,906	3,645	32,321
Payroll taxes	28,934	3,496	15,293	47,723
Total compensation and related expenses	<u>406,452</u>	<u>104,593</u>	<u>209,366</u>	<u>720,411</u>
OTHER EXPENSES				
Events	12,484	-	153,246	165,730
Professional fees	49,054	36,691	5,806	91,551
Hardscape	66,999	-	-	66,999
Advertising and marketing	21,150	4,198	71,131	96,479
Occupancy	22,448	8,068	8,166	38,682
Insurance	1,164	2,942	374	4,480
Plants, mulch, and compost	141,431	-	-	141,431
Conferences, meetings, and travel	17,038	643	315	17,996
Miscellaneous	3,845	251	5,985	10,081
Landscaping	12,737	-	-	12,737
Wi-Fi construction and maintenance	23,823	-	-	23,823
Design	40,903	-	-	40,903
Supplies	23,133	4,720	7,827	35,680
Telephone and telecommunications	3,398	2,848	1,163	7,409
Meal and entertainment	1,994	123	100	2,217
Automobile	3,853	3	5	3,861
Depreciation	2,650	757	1,470	4,877
Books, subscriptions, and reference	830	1,774	1,470	4,074
Equipment rental	8,621	-	-	8,621
Bank service charges	4,450	952	-	5,402
Postage	166	637	1,548	2,351
Interest expense	-	31	-	31
Bad debt	25,000	1,100	-	26,100
Discount on premium	-	12,500	-	12,500
Total expenses	<u>\$ 893,623</u>	<u>\$ 182,831</u>	<u>\$ 467,972</u>	<u>\$ 1,544,426</u>

See accompanying notes.

CHARLESTON PARKS CONSERVANCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash Flows from Operating Activities		
Increase in net assets	\$ 787,881	\$ 521,170
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities		
Depreciation	9,331	4,877
Allowance and discounts	-	35,400
Recovery of bad debt	(26,500)	-
Unrealized (gains)	(637,174)	(605,003)
(Increase) decrease in operating assets		
Pledges receivable	(23,492)	495,356
Deposits	3,800	284
Prepaid expenses	3,923	2,748
Increase (decrease) in operating liabilities		
Accounts payable	44,602	(29,834)
Accrued expenses	29,819	(8,516)
	192,190	416,482
Cash flows from Investing Activities		
Purchase of property and equipment	(17,320)	(27,790)
Purchase of investments	(150,000)	-
Changes in investments	16,803	711,759
	(150,517)	683,969
Cash flows from Financing Activities		
Payments on notes payable	-	(237,500)
	-	(237,500)
Net increase in cash and cash equivalents	41,673	862,951
Beginning cash and cash equivalents	2,079,565	1,216,614
	\$ 2,121,238	\$ 2,079,565
Supplemental information:		
Interest expense	\$ -	\$ 31
Foreign taxes paid	\$ 4,130	\$ -

See accompanying notes.

**CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

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.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in accordance with FASB Accounting Standards Codification (ASC) 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205, the Conservancy is required to report information regarding its assets, liabilities and net assets and revenues, expense and changes in net assets according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Conservancy has unrestricted and temporarily restricted net assets and no permanently restricted net assets.

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.

**CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

Promises to Give

Contributions are recognized in the year that the unconditional promises to give are made. The Conservancy uses the allowance method to account for uncollectible promises to give. Management estimates the allowance based on the aging and knowledge of individual outstanding balances as well as past experience.

Property and Equipment

Property and equipment over \$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.

Investments

Investments consist primarily of assets invested in marketable equity and debt securities, alternative investments and money-market accounts. 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 other activities have been summarized in the statement of activities. Accordingly, certain costs have been allocated among the program services, general and administration, and fundraising cost centers.

CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

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.

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, 2017. 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.

Revenue Recognition

In accordance with standards FASB ASC 958-50, Accounting or Contributions Received and Contributions Made, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Conservancy reports contributions as restricted support if they are received with donor stipulations that limit the use of the donation. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction. It is the Conservancy's policy to record restricted contributions received and released in the same year as unrestricted support. The Conservancy did not have any permanently restricted contributions or assets as of the years ended December 31, 2017 and 2016.

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.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values on the date of donation.

**CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

Donated Materials and Services

Donated materials are included in contributions at their estimated fair value. Donated services are recognized as contributions, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Conservancy. Volunteers provide landscaping services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under were not met

NOTE 2 - PLEDGES RECEIVABLE

Pledges receivable consisted of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Pledges receivable, gross	\$ 101,884	\$ 101,892
Less: unamortized discount	(7,900)	(18,800)
Less: allowance for uncollectible pledges	<u>(4,000)</u>	<u>(16,600)</u>
Pledges receivable, net	<u>\$ 89,984</u>	<u>\$ 66,492</u>

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

Pledge maturities	
2018	\$ 75,384
2019	14,500
2020	<u>12,000</u>
Total	<u>\$ 101,884</u>

CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 3 - INVESTMENTS

Investments held by the Conservancy are in cash equivalents, fixed income instruments, equity securities, a limited partnership fund, and a private investment pool. During 2016, the investments with the private investment pool were transferred to a national brokerage firm. Investments are stated at fair market value and consist of the following at December 31:

	2017	
	Cost	Market Value
Cash	\$ 914,056	\$ 914,056
Bonds	170,187	170,187
Global bond fund	518,746	539,810
Emerging markets equity strategies fund	535,000	670,358
US equity strategies fund	1,900,000	2,504,943
International developed equity strategies fund	885,000	1,109,807
Hedge strategies offshore fund	2,793,999	2,964,839
	\$ 7,716,988	\$ 8,874,000

	2016	
	Cost	Market Value
Cash	\$ 1,093,663	\$ 1,093,663
Fixed income	370,000	357,524
Equity securities	3,320,000	3,620,893
Limited partnership fund	3,000,000	3,242,549
	\$ 7,783,663	\$ 8,314,629

The cost basis for the equities and limited partnership fund are based on historical cost. Investment income for the years ended December 31, 2017 and 2016 consists of the following:

	2017	2016
Dividend and interest income	\$ 80,355	\$ 130,726
Capital gain	249,425	-
Foreign tax paid	(4,130)	-
Realized gain	-	70,349
Investment fees	(162,872)	(123,982)
Net unrealized gains	763,433	534,654
Net investment income	\$ 926,211	\$ 611,747

**CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 4 - 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: <ul style="list-style-type: none">• 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. <p>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.</p> |
| 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, 2017 and 2016, 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.

Equity and hedge strategies funds: The value of funds are calculated on a quarterly basis and the funds may differ from the indices due to underlying portfolio manager investment strategies, different risk/return targets and actively managed funds including fees and expenses charged by the funds and the various portfolio managers.

Equity and debt securities: Valued is based on quoted market prices in active markets.

Limited Partnership: Valued using the Partnership's underlying investment funds, as determined by the Partnership's general partner based upon reports by such underlying funds. The valuation incorporates significant unobservable inputs including net asset valuations, ranges of bid and ask prices, and other inputs that cannot be corroborated with observable market data for certain investments held by the Partnership. Changes in unobservable inputs used may produce a significantly higher or lower fair value measurement. Exchange traded investments held by the Partnership, such as debt and equity securities, are valued based on quoted market prices.

**CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fees of the Partnership vary by class. The Conservancy holds Class A partnership interests. Fees applicable to Class A interest holders include an annual management fee of 2% of the investor's partnership interest. Additionally, a total of 20% of the profits allocable to Class A interest holders is reallocated to the general partner on a quarterly basis. The Partnership provides for quarterly redemptions, subject to certain limitations and restrictions. During the years ended December 31, 2017 and 2016, total fees of approximately \$0 and \$53,000.

Description	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Cash	\$ 914,056	\$ -	\$ -	\$ 914,056
Bonds	-	170,187	-	170,187
Global bond fund	-	539,810	-	539,810
Emerging markets equity strategies fund	-	670,358	-	670,358
US equity strategies fund	-	2,504,943	-	2,504,943
International developed equity strategies fund	-	1,109,807	-	1,109,807
Hedge strategies offshore fund	-	2,964,839	-	2,964,839
Total	\$ <u>914,056</u>	\$ <u>7,959,944</u>	\$ <u>-</u>	\$ <u>8,874,000</u>

Description	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Cash	\$ 1,093,663	\$ -	\$ -	\$ 1,093,663
Fixed income	357,524	-	-	357,524
Equity securities	3,620,893	-	-	3,620,893
Limited partnership fund	-	-	3,242,549	3,242,549
Total	\$ <u>5,072,080</u>	\$ <u>-</u>	\$ <u>3,242,549</u>	\$ <u>8,314,629</u>

Management evaluates significant transfers between levels based upon the nature of the financial instrument and size of the transfer related to net assets. All assets were transferred out of level 3 for the year ending December 31, 2017. There were no significant transfers between levels 1, 2 or 3 during the year ending December 31, 2016.

**CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table presents additional information about Level 3 assets and liabilities measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Conservancy has classified within the Level 3 category. As a result, the unrealized gains and losses for assets and liabilities within the Level 3 category may include changes in fair value that were attributable to both observable and unobservable inputs.

		Limited Partnership Fund		Total
Balance, January 1, 2017	\$	3,620,893	\$	3,620,893
Transfer out		(3,620,893)		(3,620,893)
Balance, December 31, 2017	\$	-	\$	-
		Limited Partnership Fund		Total
Balance, January 1, 2016	\$	3,260,201	\$	3,260,201
Total investment income / (loss)		360,692		360,692
Balance, December 31, 2016	\$	3,620,893	\$	3,620,893

NOTE 5 - 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 \$1,440,121 and \$1,683,233 as of December 31, 2017 and 2016, 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, 2017 and 2016, the total cash and money market funds held by the firms for the Conservancy was \$914,056 and \$443,688, respectively of which \$664,056 and \$193,688, respectively was uninsured.

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

The Conservancy received 50% of revenue from two sources and 65% of revenue from three sources during the years ended December 31, 2017 and 2016.

**CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 6 - PROPERTY AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Furniture and fixtures	\$ 70,810	\$ 55,257
Software	32,662	32,662
Vehicles and equipment	<u>35,297</u>	<u>35,297</u>
Total cost	138,769	123,216
Less: accumulated depreciation	<u>(101,952)</u>	<u>(94,388)</u>
Net property and equipment	<u>\$ 36,817</u>	<u>\$ 28,828</u>

Depreciation expense charged to operations was \$9,331 and \$4,877 for the years ending December 31, 2017 and 2016, respectively.

NOTE 7 - NOTE PAYABLE

A board member issued a note payable to the Conservancy in the amount of \$500,000. The loan bears no interest and payable in two equal installments of \$250,000 in January 2016 and January 2017. The note payable has been discounted using the federal prime rate of 3.5%, and imputed interest on the loan is \$25,000. The loan was paid in full during December 31, 2017.

See Note 12 for related party transactions.

NOTE 8 - LINE OF CREDIT

During the year the Conservancy had a line of credit up to \$100,000 with a financial institution. Interest is payable monthly and the line bears an interest rate of 4.0%. The Conservancy did not make any draws on the line during the years ended December 31, 2017 and 2016. The line matured in April of 2017 and was not renewed.

NOTE 9 - 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 and \$7,200 related to office space during the years ended December 31, 2017 and 2016, 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 \$6,750 and \$2,364 for the years ended December 31, 2017 and 2016, respectively.

NOTE 10 - ADVERTISING EXPENSES

Advertising costs are expensed as incurred. Advertising and marketing expenses was \$71,214 and \$96,479 for the years ended December 31, 2017 and 2016, respectively

**CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 11 - 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, 2017 and 2016, the Conservancy made matching contributions totaling \$11,972 and \$0, respectively.

NOTE 12 - RELATED PARTY TRANSACTIONS

A board member works with a firm that provides design services for many of the Conservancy projects. The Conservancy paid \$1,987 and \$0 for these design services during 2017 and 2016, respectively.

Board members made various contributions to the Conservancy during the 2017 and 2016.

The Conservancy has a related note payable to a Board member in the amount of \$500,000. The loan bears no interest and payable in two equal installments of \$250,000 in January 2016 and January 2017. The note payable has been discounted using the federal prime rate of 3.5%, and the imputed interest on the loan is \$25,000. The \$250,000 amount was paid on the note during the year ended December 31, 2016 and the balance of the note as of December 31, 2016 was \$250,000. During the year ended December 31, 2017, the \$250,000 amount was paid on the note and the note was paid in full as of December 31, 2017.

NOTE 13 - 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:

2018	\$	53,000
2019		59,000
2020		65,000
2021		71,000
2022		12,000
	\$	<u>260,000</u>

**CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 14 - NET ASSETS

Temporarily restricted net assets are available as of December 31, 2017.

Temp Restricted Purpose	Balance 12/31/2016	Contributions & Receipts	Released from Restrictions	Balance 12/31/2017
Art in the Parks	\$ 40,299	\$ -	\$ (18,727)	\$ 21,572
Charleston Trees	38,952	30,663	(5,281)	64,334
Colonial Lake	286,940	43,459	(92,633)	237,766
Community Engagement	-	32,000	(19,176)	12,824
Hampton Park	562,290	-	(74,463)	487,827
Hazel Parker Playground	-	500	(244)	256
Logan Street Triangle	-	500	(149)	351
Maybank Tennis Center	496	-	-	496
Maybank Tennis Center- Backboard	80	-	-	80
McMahon Park and Playground	3,912	100	(4,012)	-
Moultrie Playground	63,570	106,256	(16,292)	153,534
Olmsted Intern	16,009	-	(4,121)	11,888
Professional Development	25,625	15,000	(15,060)	25,565
Riley Waterfront Park	2,843	50,000	(999)	51,844
St. Julian Devine	206,685	1,750	(3)	208,432
Theodora Park	7,107	6,870	(11,157)	2,820
West Ashley Greenway	-	100,250	(8,576)	91,674
Wi-Fi in the Park	29,666	18,000	(24,239)	23,427
Wragg Square	30,556	1,500	(32,056)	-
Time Restricted Pledges	29,500	7,000	(21,116)	15,384
	<u>\$ 1,344,530</u>	<u>\$ 413,848</u>	<u>\$ (348,304)</u>	<u>\$ 1,410,074</u>

**CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 14 - NET ASSETS (continued)

Temporarily restricted net assets are available as of December 31, 2016.

<u>Temp Restricted Purpose</u>	<u>Balance 12/31/2015</u>	<u>Contributions & Receipts</u>	<u>Released from Restrictions</u>	<u>Balance 12/31/2016</u>
Art in the Parks	\$ 10,000	\$ 32,500	(2,201)	\$ 40,299
Charleston Trees	40,615	6,024	(7,687)	38,952
Colonial Lake	499,582	7,805	(220,447)	286,940
Hampton Park	139,290	500,000	(77,000)	562,290
Hazel Parker Playground	5,253	-	(5,253)	-
Maybank Tennis Center	496	-	-	496
Maybank Tennis Center- Backboard	80	-	-	80
McMahon Park and Playground	11,786	750	(8,624)	3,912
Moultrie Playground	10,540	57,875	(4,845)	63,570
Olmsted Intern	-	20,000	(3,991)	16,009
Professional Development	15,000	25,000	(14,375)	25,625
Riley Waterfront Park	250	2,600	(7)	2,843
St. Julian Devine	209,551	-	(2,866)	206,685
Theodora Park	14,151	2,485	(9,529)	7,107
Wi-Fi in the Park	38,489	15,000	(23,823)	29,666
Wragg Square	60,000	30,500	(59,944)	30,556
Time Restricted Pledges	-	37,000	(7,500)	29,500
	<u>\$ 1,055,083</u>	<u>\$ 737,539</u>	<u>\$ (448,092)</u>	<u>\$ 1,344,530</u>

NOTE 15 - 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.