

**CHARLESTON PARKS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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:

	2019	
	Cost	Market Value
Cash equivalents	\$ 63,442	\$ 63,442
Corporate bonds	1,964,263	1,981,154
Equity securities	5,913,862	6,304,972
Limited partnership funds:		
Fixed income	3,137	3,137
Global equities	19,820	22,820
Hedge funds	32,111	32,111
	\$ 7,999,635	\$ 8,407,636
	2018	
	Cost	Market Value
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	2,793,999	2,898,402
	\$ 7,460,267	\$ 7,771,473

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

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:

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NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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, 2019 and 2018, 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.

Bonds: Valued at the closing price reported in the active market in which the bond is traded or based on yields currently available on comparable securities of issuers with similar credit ratings.

Equities: Valued at the closing price reported in the active market in which the individual securities are 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.

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NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Description	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 63,442	\$ -	\$ -	\$ 63,442
Corporate bonds	1,981,154	-	-	1,981,154
Equity securities	6,304,972	-	-	6,304,972
Limited partnership funds:				
Fixed income	-	3,137	-	3,137
Global equities	-	22,820	-	22,820
Hedge funds	-	32,111	-	32,111
Total	<u>\$ 8,349,568</u>	<u>\$ 58,068</u>	<u>\$ -</u>	<u>\$ 8,407,636</u>

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	<u>\$ 827,522</u>	<u>\$ 6,943,951</u>	<u>\$ -</u>	<u>\$ 7,771,473</u>

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 years ended December 31, 2019 and 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 \$839,313 and \$1,438,837 as of December 31, 2019 and 2018, 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, 2019 and 2018, the total cash and money market funds held by the firms for the Conservancy was \$63,442 and \$827,522, respectively of which \$0 and \$577,522, respectively was uninsured.

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

The Conservancy received 21% of revenue from two sources and 47% of revenue from two sources during the years ended December 31, 2019 and 2018, respectively.

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NOTE 7 - PROPERTY AND EQUIPMENT

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

	2019	2018
Furniture and fixtures	\$ 49,609	\$ 70,810
Software	-	32,662
Vehicles and equipment	63,794	63,794
Total cost	113,403	167,266
Less: accumulated depreciation	(61,594)	(110,737)
Net property and equipment	\$ 51,809	\$ 56,529

Depreciation expense charged to operations was \$14,681 and \$8,784 for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, 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 \$132,998 and \$120,752 for the years ended December 31, 2019 and 2018, respectively.

NOTE 9 - ADVERTISING EXPENSES

Advertising costs are expensed as incurred. Advertising and marketing expenses was \$67,489 and \$86,279 for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, the Conservancy made matching contributions totaling \$25,222 and \$25,993, 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 \$14,761 and \$10,313 for these design services during 2019 and 2018, respectively.

Board members made various contributions to the Conservancy during the 2019 and 2018.

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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:

2020	\$ 65,000
2021	71,000
2022	<u>12,000</u>
	<u>\$ 148,000</u>

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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, 2019 and 2018:

	2019	2018
<u>Purpose restrictions, available for spending:</u>		
Art in the Parks	\$ -	\$ 16,924
Capital Projects	20,000	-
Charleston Trees	90,532	65,090
Colonial Lake	122,911	188,518
Community Engagement	-	50,000
Corrine Jones Community Garden	-	550
Hampton Park	-	155,315
Hazel Parker Playground	-	194
Logan Street Triangle	-	243
Magnolia Community Garden	-	378
Maybank Tennis Center	-	496
Maybank Tennis Center- Backboard	-	80
Moultrie Playground	211,126	281,034
Muni Golf Course	26,850	11,550
Olmsted Intern	3,601	7,949
Professional Development	22,226	23,422
Riley Waterfront Park	9,793	9,043
Riverland Terrace Triange	-	500
St. Julian Devine	142,047	155,481
Susie Jackson Freedom Memorial Garden	11,502	-
Tiedemann Park	-	315
West Ashley Greenway	1,150	-
West Ashley Greenway General Program	23,964	50,000
Wi-Fi in the Park	8,687	29,131
Total purpose restrictions	694,389	1,046,213
<u>Time restrictions:</u>		
Contribution receivables not restricted by donors, but are unavailable for expenditure until due	500	15,500
Total time restrictions	500	15,500
Total net assets with donor restrictions	\$ 694,889	\$ 1,061,713

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NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the report date, and has concluded the following subsequent events meet the criteria of professional accounting standards to be recognized or not recognized, but disclosed, in these financial statements.

COVID-19

The impact on the accompanying consolidated financial statements of the COVID-19 outbreak cannot be readily determined. Financial markets, distribution networks and the ultimate impact of this outbreak of the financial operations of the Conservancy are difficult to assess and predict. The Conservancy is taking steps to mitigate the impact of the outbreak, but the ultimate success of this endeavor cannot be predicted at this time.

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