

**NEW YORK RESTORATION PROJECT AND
CONSOLIDATED ENTITIES**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

AND

INDEPENDENT AUDITORS' REPORT



FRIEDMAN LLP
ACCOUNTANTS AND ADVISORS

NEW YORK RESTORATION PROJECT AND CONSOLIDATED ENTITIES

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
New York Restoration Project

We have audited the accompanying consolidated financial statements of New York Restoration Project and Consolidated Entities, which comprise the statements of financial position as of September 30, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated financial statements.

(Continued)

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of New York Restoration Project and Consolidated Entities as of September 30, 2014 and 2013, and the change in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Freedman LLP". The signature is written in a cursive, flowing style.

January 22, 2015

NEW YORK RESTORATION PROJECT AND CONSOLIDATED ENTITIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30,	
	2014	2013
ASSETS		
Cash and cash equivalents	\$ 1,624,822	\$ 2,269,699
Cash and cash equivalents - restricted	270,321	495,091
Investments	3,217,299	2,504,820
Contributions receivable	6,041,100	2,945,900
Government grants receivable	232,186	223,409
Prepaid expenses	263,249	202,899
Other assets	119,364	151,958
Property and equipment, net	7,668,777	7,562,073
	\$ 19,437,118	\$ 16,355,849
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable, accrued expenses and other liabilities	\$ 1,010,702	\$ 852,286
Loans payable	87,601	40,263
Line of credit payable	-	301,460
Deferred fundraising revenue	764,585	552,022
Total liabilities	1,862,888	1,746,031
Net assets		
Unrestricted		
Undesignated	6,664,116	6,862,301
Board-designated endowment fund	580,000	-
Total unrestricted	7,244,116	6,862,301
Temporarily restricted	6,838,170	4,530,573
Permanently restricted	3,491,944	3,216,944
Total net assets	17,574,230	14,609,818
	\$ 19,437,118	\$ 16,355,849

See notes to consolidated financial statements.

NEW YORK RESTORATION PROJECT AND CONSOLIDATED ENTITIES

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue				
Contributions	\$ 2,479,895	\$ 5,262,609	\$ 275,000	\$ 8,017,504
Grant income	1,142,702	-	-	1,142,702
Special events				
Revenue from special events	\$ 2,923,741			
Less - Direct costs	<u>(995,059)</u>			
Net revenue from special events	1,928,682	-	-	1,928,682
Donated goods and services	689,291	-	-	689,291
Other income	61,457	-	-	61,457
Unrealized gain on marketable securities	140,112	-	-	140,112
Realized gain on marketable securities	72,812	-	-	72,812
Investment income	74,193	-	-	74,193
Total public support and revenue	6,589,144	5,262,609	275,000	12,126,753
Net assets released from restrictions	2,955,012	(2,955,012)	-	-
New Leaf Restaurant and Bar operations				
Sales	2,931,531	-	-	2,931,531
Less - Cost of sales	(768,006)	-	-	(768,006)
Operating expenses	<u>(2,129,268)</u>	-	-	<u>(2,129,268)</u>
Total New Leaf Restaurant and Bar operating income	34,257	-	-	34,257
Total public support and revenue, net assets released from restrictions, and New Leaf Restaurant and Bar operating income	9,578,413	2,307,597	275,000	12,161,010
Functional expenses (exclusive of New Leaf Restaurant and Bar)				
Program services	6,693,934	-	-	6,693,934
Management and general	1,132,610	-	-	1,132,610
Fundraising	1,370,054	-	-	1,370,054
Total expenses	9,196,598	-	-	9,196,598
Increase in net assets	381,815	2,307,597	275,000	2,964,412
Net assets, beginning of year	6,862,301	4,530,573	3,216,944	14,609,818
Net assets, end of year	\$ 7,244,116	\$ 6,838,170	\$ 3,491,944	\$ 17,574,230

See notes to consolidated financial statements.

NEW YORK RESTORATION PROJECT AND CONSOLIDATED ENTITIES

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue				
Contributions	\$ 3,718,147	\$ 3,139,785	\$ -	\$ 6,857,932
Grant income	997,887	-	-	997,887
Special events				
Revenue from special events	\$ 2,794,401			
Less - Direct costs	<u>(780,001)</u>			
Net revenue from special events	2,014,400	-	-	2,014,400
Donated goods and services	518,806	-	-	518,806
Other income	248,031	-	-	248,031
Unrealized gain on marketable securities	119,768	-	-	119,768
Realized gain on marketable securities	70,368	-	-	70,368
Investment income	46,261	-	-	46,261
Total public support and revenue	7,733,668	3,139,785	-	10,873,453
Net assets released from restrictions	995,712	(995,712)	-	-
New Leaf Restaurant and Bar operations				
Sales	2,571,889	-	-	2,571,889
Less - Cost of sales	(680,766)	-	-	(680,766)
Operating expenses	<u>(1,897,104)</u>	-	-	<u>(1,897,104)</u>
Total New Leaf Restaurant and Bar operating loss before income tax expense	(5,981)	-	-	(5,981)
Income tax expense	<u>(145,548)</u>	-	-	<u>(145,548)</u>
Total New Leaf Restaurant and Bar net loss	(151,529)	-	-	(151,529)
Total public support and revenue, net assets released from restrictions, and New Leaf Restaurant and Bar net loss	8,577,851	2,144,073	-	10,721,924
Functional expenses (exclusive of New Leaf Restaurant and Bar)				
Program services	6,213,094	-	-	6,213,094
Management and general	693,692	-	-	693,692
Fundraising	1,344,687	-	-	1,344,687
Total expenses	8,251,473	-	-	8,251,473
Increase in net assets	326,378	2,144,073	-	2,470,451
Net assets, beginning of year	6,535,923	2,386,500	3,216,944	12,139,367
Net assets, end of year	\$ 6,862,301	\$ 4,530,573	\$ 3,216,944	\$ 14,609,818

See notes to consolidated financial statements.

NEW YORK RESTORATION PROJECT AND CONSOLIDATED ENTITIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2014

	Program Services				Total Program Services	Supporting Services		Total Expenses
	Gardens	Parks	Trees	Other		Management and General	Fundraising	
Payroll and benefits	\$ 1,425,417	\$ 827,761	\$ 696,751	\$ 35,958	\$ 2,985,887	\$ 703,036	\$ 666,832	\$ 4,355,755
Professional fees	363,641	882,634	496,574	12,763	1,755,612	205,446	338,321	2,299,379
Program materials and supplies	238,969	105,140	468,790	9,120	822,019	32,159	19,241	873,419
Occupancy	89,356	36,682	33,152	-	159,190	35,167	26,586	220,943
Office expense	190,549	161,666	131,623	-	483,838	140,646	287,704	912,188
Depreciation and amortization	134,259	325,864	27,146	-	487,269	13,921	31,370	532,560
Interest expense	119	-	-	-	119	2,235	-	2,354
	<u>\$ 2,442,310</u>	<u>\$ 2,339,747</u>	<u>\$ 1,854,036</u>	<u>\$ 57,841</u>	<u>\$ 6,693,934</u>	<u>\$ 1,132,610</u>	<u>\$ 1,370,054</u>	<u>\$ 9,196,598</u>

See notes to consolidated financial statements.

NEW YORK RESTORATION PROJECT AND CONSOLIDATED ENTITIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2013

	Program Services			Total Program Services	Supporting Services		Total Expenses
	Gardens	Parks	Trees		Management and General	Fundraising	
Payroll and benefits	\$ 1,546,669	\$ 852,751	\$ 627,890	\$ 3,027,310	\$ 430,013	\$ 878,555	\$ 4,335,878
Professional fees	379,938	179,278	388,391	947,607	101,430	209,906	1,258,943
Program materials and supplies	182,402	228,073	647,650	1,058,125	35,106	26,894	1,120,125
Occupancy	87,245	33,692	46,028	166,965	11,329	26,560	204,854
Office expense	304,794	81,741	40,135	426,670	102,339	180,692	709,701
Depreciation and amortization	141,880	352,468	16,864	511,212	10,700	22,080	543,992
Interest expense	75,205	-	-	75,205	2,775	-	77,980
	<u>\$ 2,718,133</u>	<u>\$ 1,728,003</u>	<u>\$ 1,766,958</u>	<u>\$ 6,213,094</u>	<u>\$ 693,692</u>	<u>\$ 1,344,687</u>	<u>\$ 8,251,473</u>

See notes to consolidated financial statements.

NEW YORK RESTORATION PROJECT AND CONSOLIDATED ENTITIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended September 30,	
	2014	2013
Cash flows from operating activities		
Increase in net assets	\$ 2,964,412	\$ 2,470,451
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization (inclusive of New Leaf)	629,767	634,683
Deferred tax asset valuation allowance	(15,000)	254,500
Deferred tax asset	15,000	(81,000)
Donated marketable securities	(111,485)	(94,977)
Unrealized and realized gain on marketable securities	(212,924)	(190,136)
Changes in assets and liabilities		
Contributions receivable	(3,095,200)	(1,374,284)
Government grants receivable	(8,777)	26,777
Prepaid expenses	(60,350)	58,759
Other assets	32,594	(17,713)
Accounts payable, accrued expenses and other liabilities	158,416	44,897
Deferred fundraising revenue	212,563	(172,478)
Net cash provided by operating activities	509,016	1,559,479
Cash flows from investing activities		
Purchases of marketable securities	(1,893,690)	(891,341)
Proceeds from sale/maturity of marketable securities	1,505,620	1,094,323
Acquisition of property and equipment	(736,471)	(187,255)
Decrease in cash and cash equivalents - restricted	224,770	209,809
Net cash provided by (used in) investing activities	(899,771)	225,536
Cash flows from financing activities		
Repayments of loans payable	(39,699)	(17,795)
Borrowing under loans payable	87,037	551,460
Repayment under line of credit	(301,460)	(250,000)
Net cash provided by (used in) financing activities	(254,122)	283,665
Net increase (decrease) in cash and cash equivalents	(644,877)	2,068,680
Cash and cash equivalents, beginning of year	2,269,699	201,019
Cash and cash equivalents, end of year	\$ 1,624,822	\$ 2,269,699
Supplemental cash flow disclosures		
Interest paid	\$ 2,354	\$ 77,981
Income taxes paid	1,130	2,668

See notes to consolidated financial statements.

NEW YORK RESTORATION PROJECT AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 - ORGANIZATION AND NATURE OF OPERATIONS

New York Restoration Project (“NYRP”), formed in 1995, is a nonprofit organization operating under the laws of the state of New York. Its mission is to restore, develop and revitalize under-served parks, community gardens and open space in all five boroughs of the City of New York. NYRP invests in the communities it serves by providing ongoing maintenance, grounds keeping, and horticultural services, as well as educational and public programming. NYRP is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (“IRC”) and is exempt from state and local taxes under comparable laws.

New York Garden Trust (the “Trust”), formed in 1999 under the laws of the State of New York, is qualified as a tax-exempt organization under Section 501(c)(2) of the IRC. The Trust, which is controlled by NYRP, was organized exclusively to hold title to community garden sites acquired from the City of New York.

The New York Restoration Enterprise, Inc. (“Enterprise”), a wholly owned subsidiary of NYRP, was incorporated in the State of Delaware in October 2000 as a commercial entity. Enterprise was created for the purpose of operating and managing the restaurant facilities located in Fort Tryon Park (the “New Leaf Restaurant and Bar”) under the license agreement discussed in Note 13. Enterprise is the sole member of Divine Greening LLC, Divine Consulting LLC and Divine Strategies LLC. These entities were formed in May 2009, are currently inactive, and are expected to provide landscaping, consulting and merchandising services in the future.

The Peter Jay Sharp Boathouse, Inc. (the “Boathouse”), formed in 2002 under the laws of the State of New York, is a qualified, tax-exempt organization under Section 501(c)(2) of the IRC. The Boathouse, which is controlled by NYRP, was organized exclusively to hold title to the boathouse located in Swindler Cove along the Harlem River.

NYRP, the Trust, Enterprise, and the Boathouse are collectively referred to as the “Organization.”

The Organization’s major programs include the cleanup, restoration and management of numerous parks and community gardens located throughout the boroughs of the City of New York, various environmental education programs for low-income communities, and working in cooperation with the City of New York Department of Parks and Recreation (the “Parks Department”) to plant one million trees across the five boroughs of New York City, focusing mainly on neighborhoods with high asthma rates, over a ten-year period. In addition to these environmental and educational activities, the Organization also owns a boathouse that is used to provide a boat storage and launch facility on the Harlem River for adult and youth rowing programs sponsored and operated by Row New York, Inc.

NEW YORK RESTORATION PROJECT AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting, which conforms to accounting principles generally accepted in the United States of America ("GAAP") as applicable to not-for-profit organizations. They include the accounts of NYRP, the Trust, Enterprise, and the Boathouse. All significant intercompany accounts and transactions have been eliminated in consolidation.

Net Assets

The net assets of NYRP and changes therein are classified and reported as follows:

Unrestricted

Unrestricted net assets represent those resources that are not subject to donor restrictions. Board-designated endowment fund represents amounts designated for future projects and maintenance of gardens.

Temporarily restricted

Net assets subject to donor-imposed stipulations, that may or will be met, either by action of the Organization and/or the passage of time. When a 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 statement of activities as net assets released from restrictions.

Permanently restricted

Permanently restricted net assets represent those resources subject to donor-imposed stipulations that are to be maintained permanently by the Organization. Generally, the donors of the assets permit the Organization to use all or part of the return earned on related investments, for general or specific purposes.

Use of Estimates

Management uses estimates and assumptions in preparing consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

Income Taxes

The Internal Revenue Service has determined that NYRP, the Boathouse and the Trust are charitable organizations exempt from federal income taxes under Sections 501(c)(3), 501(c)(2), and 501(c)(2), respectively, of the IRC.

NEW YORK RESTORATION PROJECT AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

Enterprise accounts for current and deferred income taxes and, when appropriate, deferred tax assets and liabilities are recorded with respect to temporary differences in the accounting treatment of items for financial reporting purposes and for income tax purposes. Where, based upon management's evaluation of all available information, it is more likely than not that the recorded deferred tax assets will not be realized, a valuation allowance is established for that amount that, in management's judgment, is sufficient to reduce the deferred tax asset to an amount that is more likely than not to be realized.

NYRP's tax filings for years prior to fiscal 2011 are no longer subject to examination by tax authorities.

Cash and Cash Equivalents

Cash balances in banks are insured by the Federal Deposit Insurance Corporation subject to certain limitations. For purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. For purposes of the consolidated financial statements, cash and cash equivalents exclude permanently and temporarily restricted cash and cash equivalents.

Contributions and Grants Receivable

The Organization's receivables consist of unconditional promises to give from donors, and receivables due from federal, state and local funding agencies.

The Organization has determined that all receivables are fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to expense when that determination is made.

Fair Value

GAAP establishes a 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). Under GAAP, the three levels of the fair value hierarchy are described as follows:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

NEW YORK RESTORATION PROJECT AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value (Continued)

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs that reflect management's own assumptions.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2014 and 2013:

Equity securities are valued at the last sale price on the exchange on which the security is principally traded. Listed equity securities for which the latest sale prices are not available generally are valued at the mean of the latest bid and ask price as of the closing of the primary exchange where such securities are normally traded. Unlisted equity securities generally are valued at the last sale price.

Fixed income securities generally are valued based on bid-side quotations or evaluated bids based on the internal models used by an independent pricing service.

Short-term investments maturing in 61 days or less are valued at amortized cost, which approximates market value.

Structured products, over-the-counter derivatives, and alternative investments are valued at an evaluated price provided by a counterparty or fund manager.

Mutual funds are priced using the net asset value per unit as of the valuation date.

Property and Equipment

Property and equipment are stated at either their cost at the date of acquisition or their fair value at the date of donation. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method:

Boathouse	15 years
Capital improvements - community gardens	39 years
Furniture and equipment	3-7 years
Website	5 years
Vehicles and boats	5-7 years

NEW YORK RESTORATION PROJECT AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

Leasehold improvements are amortized using the straight-line method over the shorter of the life of the improvement or the remaining length of the lease or license agreement.

Long-Lived Assets

Long-lived assets are reviewed for impairment when changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Organization evaluates the recoverability of its long-lived assets whenever events or changes in circumstances indicate that a recorded asset might not be recoverable by taking into consideration such factors as recent operating results, projected undiscounted cash flows and plans for future operations. Assets to be disposed of and assets not expected to provide any future service potential to the Organization are recorded at the lower of carrying amount or fair value less cost to sell. Although management believes the assumptions used in testing for impairment are reasonable, changes in any one of the assumptions could produce a significantly different result. In management's judgment, there were no impairments of any long-lived assets as of September 30, 2014 and 2013.

Revenue Recognition

Contributions are recognized when a donor makes a promise to give to the Organization that is in substance, unconditional. Conditional promises to give are recognized as contributions when substantially all conditions are met. Contributions received are measured at their fair value and reported as an increase in net assets. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

Revenue from government contracts and grants is recognized in grant income either when costs are incurred or services are performed.

The Organization reports gifts of goods and equipment 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 about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

NEW YORK RESTORATION PROJECT AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

A substantial number of volunteers have donated significant amounts of their time to the Organization's program services and its fund-raising activities; however, no amounts have been reflected in the statements for donated services inasmuch as no objective basis is available to measure the value of such services.

The free use of facilities and donated professional services and supplies provided for program activities, management and general activities, or fund-raising activities are recorded in the accompanying consolidated financial statements at their estimated fair values at the date of use or receipt.

Revenue from the sale of food and beverages is recognized at the point of sale.

Deferred Fundraising Revenue

Contributions related to and received in advance of a fund-raising event or stipulated contract year are deferred until the actual occurrence of the event or the appropriate fiscal year, at which time the contributions are then recognized as revenue.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying consolidated statements of functional expenses. Accordingly, certain costs have been consistently allocated among the programs and supporting services in reasonable amounts and ratios determined by management.

Reclassifications

Certain fiscal 2013 amounts have been reclassified to conform to the fiscal 2014 presentation.

Subsequent Events

These financial statements were approved by management and available for issuance on January 22, 2015. Management has evaluated subsequent events through this date.

3 - CONCENTRATION

Approximately 40% and 14% of the Organization's total public support and revenue was received from one donor, during the years ended September 30, 2014 and 2013, respectively.

NEW YORK RESTORATION PROJECT AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4 - PROPERTY AND EQUIPMENT

The Organization’s property and equipment consisted of the following:

	September 30,	
	2014	2013
Community garden sites - restricted (1)	\$ 1,142,650	\$ 1,142,650
Capital improvements - community gardens	5,058,852	4,390,307
Office equipment	568,123	506,753
Website development	146,500	146,500
Vehicles and boats	480,853	493,352
Leasehold improvements - NYRP	90,337	90,337
Leasehold improvements - New Leaf Restaurant and Bar	947,695	951,953
Furniture and equipment - New Leaf Restaurant and Bar	308,304	297,491
Peter Jay Sharp Boathouse, Inc. - Boathouse	4,714,598	4,714,598
	13,457,912	12,733,941
Less - Accumulated depreciation	(5,789,135)	(5,171,868)
	<u>\$ 7,668,777</u>	<u>\$ 7,562,073</u>

- (1) Under the contract to acquire the community garden sites (the “Property”), the use of a site or sites is restricted by the Organization’s agreement with the City of New York for open-space purposes, unless the Organization, upon written request to and with permission from the City of New York, is permitted to use the Property for other purposes. However, should the Organization elect to use the Property for purposes other than open space, the City of New York, through the Economic Development Corporation, will have the option to reacquire the Property for no consideration. All garden sites have been utilized for open-space purposes for the years ended September 30, 2014 and 2013.

5 - CONTRIBUTIONS RECEIVABLE

The Organization’s contributions receivable are due as follows:

	September 30,	
	2014	2013
Within one year	\$ 1,506,100	\$ 1,945,900
One to two years	4,535,000	1,000,000
	<u>\$ 6,041,100</u>	<u>\$ 2,945,900</u>

NEW YORK RESTORATION PROJECT AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 - FAIR VALUE MEASUREMENTS

The following tables summarize the Organization's fair value measurements on a recurring or nonrecurring basis:

	September 30, 2014			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Equity				
Emerging market	\$ 28,135	\$ -	\$ -	\$ 28,135
Asia (excluding Japan)	110,141	-	-	110,141
Global	102,853	-	-	102,853
Europe, Australia, Far East (EAFE)	502,725	-	25,428	528,153
European large cap	46,330	-	-	46,330
US large cap	547,896	-	27,612	575,508
US mid cap	133,513	-	-	133,513
Japanese large cap	28,249	-	-	28,249
Total equity mutual funds	1,499,842	-	53,040	1,552,882
US fixed income	428,106	-	-	428,106
Total mutual funds	1,927,948	-	53,040	1,980,988
Marketable equity securities				
US all cap	774,949	-	-	774,949
Exchange traded funds				
US large cap equity	228,349	-	-	228,349
US mid cap equity	54,696	-	-	54,696
EAFE equity	178,317	-	-	178,317
Total exchange traded funds	461,362	-	-	461,362
Total investments	3,164,259	-	53,040	3,217,299
Money market funds included in cash and cash equivalents				
	107,017	-	-	107,017
	\$ 3,271,276	\$ -0-	\$ 53,040	\$ 3,324,316

NEW YORK RESTORATION PROJECT AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 - FAIR VALUE MEASUREMENTS (Continued)

	September 30, 2013			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Equity				
Emerging market	\$ 52,984	\$ -	\$ -	\$ 52,984
Asia (excluding Japan)	93,639	-	-	93,639
Global	51,855	-	-	51,855
Europe, Australia, Far East (EAFE)	234,861	-	74,455	309,316
European large cap	-	-	22,719	22,719
US large cap	410,533	-	27,612	438,145
US mid cap	119,927	-	-	119,927
Commodities	-	-	56,870	56,870
Foreign exchange	-	-	31,502	31,502
Total equity mutual funds	963,799	-	213,158	1,176,957
Hedge funds	320,995	-	-	320,995
US fixed income	582,576	-	-	582,576
Total mutual funds	1,867,370	-	213,158	2,080,528
Marketable equity securities				
US all cap	195,547	-	-	195,547
Exchange traded funds				
US large cap equity	88,541	-	-	88,541
US mid cap equity	49,656	-	-	49,656
EAFE equity	73,244	-	-	73,244
Commodities	17,304	-	-	17,304
Total exchange traded funds	228,745	-	-	228,745
Total investments	2,291,662	-	213,158	2,504,820
Money market funds included in cash and cash equivalents				
	203,891	-	-	203,891
	\$ 2,495,553	\$ -0-	\$ 213,158	\$ 2,708,711

NEW YORK RESTORATION PROJECT AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 - FAIR VALUE MEASUREMENTS (Continued)

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	2014	2013
Balance, beginning of year	\$ 213,158	\$ 397,211
Unrealized and realized gains	428	49,763
Purchases	-	119,960
Sales	(160,546)	(353,776)
Balance, end of year	\$ 53,040	\$ 213,158

During the years ended September 30, 2014 and 2013, there were no transfers between levels of the fair value hierarchy.

Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

The following tables represent the Organization's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs:

September 30, 2014					
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values	Weighted Average
Structured investments					
International equity	\$25,428	Black-Scholes formula	Future expected volatility of the underlying asset	Strike price, spot price, time to maturity, dividend yield, and interest rates	N/A
US large cap equity	27,612	Black-Scholes formula	Future expected volatility of the underlying asset	Strike price, spot price, time to maturity, dividend yield, and interest rates	N/A

NEW YORK RESTORATION PROJECT AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6 - FAIR VALUE MEASUREMENTS (Continued)

September 30, 2013					
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Range of Significant Input Values	Weighted Average
Structured investments					
International equity	\$97,178	Black-Scholes formula	Future expected volatility of the underlying asset	Strike price, spot price, time to maturity, dividend yield, and interest rates	N/A
Foreign exchange	31,502	Derivative of the Black-Scholes formula	Volatility implied by the market and the actual stochastic model that the counterparty uses	Volatility, tenor, spot with respect to the forward (i.e., interest rate differentials)	N/A
Commodities	56,870	Derivative of the Black-Scholes formula	Volatility implied by the market and the actual stochastic model that the counterparty uses	Backwardation, contango, seasonality, and volatility	N/A
US large cap equity	27,612	Black-Scholes formula	Future expected volatility of the underlying asset	Strike price, spot price, time to maturity, dividend yield, and interest rates	N/A

7 - LINE OF CREDIT - BANK

On May 21, 2014, the Organization entered into a \$2,000,000 revolving line of credit. The line of credit is collateralized by certain assets of the Organization. The line of credit requires monthly interest-only payments on the unpaid principal balance and bears interest at LIBOR plus 3%. The principal balance and any unpaid interest payments will be due on the maturity date of November 21, 2015. There are no amounts outstanding on the line of credit as of September 30, 2014. \$301,460 was outstanding on the line of credit at September 30, 2013.

NEW YORK RESTORATION PROJECT AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8 - TEMPORARILY RESTRICTED NET ASSETS

The following summarizes the changes in temporarily restricted net assets:

Fiscal 2014				
Program	Balance, October 1, 2013	Contributions	Released from Restrictions	Balance, September 30, 2014
Community gardens	\$ 652,942	\$ 264,416	\$ (530,575)	\$ 386,783
Education	120,000	44,000	(164,000)	-
Million Trees NYC program	1,989,860	20,000	(1,367,856)	642,004
Restricted to future periods	1,050,000	-	(550,000)	500,000
Sherman Creek/Boat Club cleanup	750	193	(943)	-
Sherman Creek Boat House	-	4,584,000	(27,670)	4,556,330
Resilience Project	-	350,000	(57,841)	292,159
Cultural arts and garden programming	495,091	-	(224,817)	270,274
Other	221,930	-	(31,310)	190,620
	\$ 4,530,573	\$ 5,262,609	\$ (2,955,012)	\$ 6,838,170

Fiscal 2013				
Program	Balance, October 1, 2012	Contributions	Released from Restrictions	Balance, September 30, 2013
Community gardens	\$ 817,329	\$ 366,635	\$ (531,022)	\$ 652,942
Education	150,000	124,000	(154,000)	120,000
Million Trees NYC program	312,861	1,750,000	(73,001)	1,989,860
Restricted to future periods	1,100,000	-	(50,000)	1,050,000
Sherman Creek/Boat Club cleanup	-	750	-	750
Cultural arts and garden programming	-	546,000	(50,909)	495,091
Other	6,310	352,400	(136,780)	221,930
	\$ 2,386,500	\$ 3,139,785	\$ (995,712)	\$ 4,530,573

NEW YORK RESTORATION PROJECT AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9 - PERMANENTLY RESTRICTED NET ASSETS

The Organization's permanently restricted net assets consist of the following:

	September 30,	
	2014	2013
Land held by New York Garden Trust	\$ 1,142,650	\$ 1,142,650
Endowment assets to support operations	2,349,294	2,074,294
	<u>\$ 3,491,944</u>	<u>\$ 3,216,944</u>

Interpretation of Relevant Law

Based on the interpretations of the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), GAAP and absent explicit donor stipulations to the contrary, the Board of Trustees has interpreted NYPMIFA as requiring the preservation in perpetuity of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

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 seeking to maintain the purchasing power of the endowment assets and assuming a moderate level of investment risk.

The Organization's investment objective is to earn the highest possible yield consistent with a prudent level of risk. From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires to retain as a fund of perpetual duration. Deficiencies of this nature would be reported in unrestricted net assets. Subsequent gains that restore the fair value of the assets of the donor-restricted endowment fund to the required level will be classified as an increase in unrestricted net assets.

Spending Policy

The Organization's Board of Trustees has authorized a policy designed to preserve the value of these pooled investments in real terms (after inflation) and provide a predictable flow of funds to assure the investment pool's continued growth. The Organization's investment pool includes contributions, interest, dividends, and realized and unrealized gains and losses, net of investment management fees. The policy permits the use of a spending rate of up to a maximum of 5% applied to a moving average of the investment pool as of September 30 of the three previous years.

NEW YORK RESTORATION PROJECT AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10 - DONATED GOODS AND SERVICES

Donated goods and services consisted of the following:

	Year Ended September 30,	
	2014	2013
Legal services*	\$ 545,841	\$ 382,052
Other professional fees	139,550	-
Advertising and marketing	-	65,000
Garden supplies and other gifts**	79,785	71,754
	<u>\$ 765,176</u>	<u>\$ 518,806</u>

* Donated legal services are from a law firm in which a board member of the Organization is a partner.

**Includes \$75,885 of in-kind gifts donated for special events in 2014.

11 - RETIREMENT PLAN

The Organization maintains a defined contribution 401(k) plan covering all eligible employees. The plan provides for discretionary employer matching contributions for participating and eligible employees. The total expense incurred by the Organization in connection with the plan was \$4,278 and \$4,869 for the years ended September 30, 2014 and 2013, respectively.

12 - INCOME TAXES

The components of the deferred tax assets are as follows:

	September 30,	
	2014	2013
Deferred tax assets		
Noncurrent		
Depreciation	\$ 140,000	\$ 123,000
Net operating losses	278,000	310,000
	<u>418,000</u>	<u>433,000</u>
Valuation allowance	(418,000)	(433,000)
	<u>\$ -0-</u>	<u>\$ -0-</u>

NEW YORK RESTORATION PROJECT AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12 - INCOME TAXES (Continued)

Enterprise has a Federal and state net operating loss carryforward of approximately \$617,000 and \$688,000 for the years ended September 30, 2014 and 2013, respectively, which expires from 2020 through 2027. The valuation allowance has decreased by \$15,000 from \$433,000 in fiscal 2014 to reflect the utilization of net operating losses. The Organization believes that, based on a number of economic and historical factors as well as information currently available, there is an uncertainty regarding the ultimate realization of its deferred tax assets and thus a full valuation allowance has been recorded for the years ended September 30, 2014 and 2013.

The changes in deferred tax assets/liabilities are as follows:

	Year End September 30,	
	2014	2013
Changes attributable to depreciation	\$ 17,000	\$ (108,000)
Change in net operating loss	(32,000)	-
Changes in valuation allowance	15,000	254,000
Deferred tax expense	\$ -0-	\$ 146,000

13 - COMMITMENTS AND CONTINGENCIES

Operating Leases

NYRP leases its primary office space under a ten-year noncancellable lease that commenced in April 2006 and expires on March 31, 2016. Minimum future annual rentals required under this lease are as follows:

Year Ending September 30,	
2015	\$ 148,845
2016	75,723
	<u>\$ 224,568</u>

NYRP is subject to real estate tax and operating expense escalations under the lease and has deposited \$54,000 with the landlord as lease security, which is included in "Other assets" in the accompanying consolidated statements of financial position.

Rental payments under this lease are recognized on a straight-line basis over the term of the lease. The difference between actual rent paid and the expense payable under the term of the lease is included in "Accounts payable, accrued expenses and other liabilities" in the accompanying consolidated statements of financial position. Rent expense amounted to \$171,681 and \$176,106 for the years ended September 30, 2014 and 2013, respectively.

NEW YORK RESTORATION PROJECT AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13 - COMMITMENTS AND CONTINGENCIES (Continued)

License Agreements

Effective January 1, 2000, the Organization entered into a ten-year agreement with the Parks Department to manage, maintain, operate, and improve Sherman Creek Wetlands (Swindler Cove Park) (the "Park"). In addition, the agreement authorizes the Organization to moor the Boathouse at the Park for ten years, and be permitted access to the Boathouse by way of the Park. On October 24, 2000, the agreement was amended to allow for two additional five-year term extensions to moor the Boathouse. The agreement may be terminated by the Organization with 90 days' prior notice.

Effective October 1, 2007, Enterprise entered into a twelve-year license agreement with the Parks Department to operate and manage the New Leaf Restaurant and Bar until September 30, 2019. The license agreement requires that Enterprise pay a monthly license fee to the Parks Department consisting of the higher of a minimum annual fee as defined in the license agreement or 4.1% of gross receipts. Additionally, the Enterprise is required to make payments to the Parks Department on revenue received from catering events and private parties based on 12% of gross receipts over a calculated annual threshold. Enterprise is also required to make capital improvements of at least \$150,000 to the New Leaf Restaurant and Bar over the life of the licensing agreement. The capital improvements expenditure criteria was met as of September 30, 2011.

The license fee paid to the Parks Department was approximately \$181,811 and \$167,000 for the fiscal years ended September 30, 2014 and 2013.

Minimum annual payments required under the license agreement are as follows:

Year Ending September 30,	
2015	\$ 84,000
2016	88,000
2017	91,000
2018	95,000
2019	98,000
	<u>\$ 456,000</u>

Government Grants

Government-funded activities are subject to audit by the applicable granting agencies. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying consolidated financial statements. Accordingly, no amounts have been provided in the accompanying consolidated financial statements for such potential claims.

NEW YORK RESTORATION PROJECT AND CONSOLIDATED ENTITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14 - SUBSEQUENT EVENTS

Air Rights Sale

On December 1, 2014, the Trust sold the air rights on the Property of the community garden at 103rd Street in Manhattan in exchange for \$500,000 in cash and title to a 2,000 square foot parcel of land adjacent to the 103rd Street Garden.

New York Restoration Enterprise, Inc. Sale of Assets

On December 30, 2014, Enterprise entered into a Purchase and Sale Agreement with a buyer for all of its rights and interest as licensee (with the New York City Department of Parks and Recreation) to operate a restaurant, all personal property including equipment, supplies and fixtures and interest in any intangible property. The buyer assumed all liabilities for any future payments associated with the license agreement with the New York City Department of Parks and Recreation. The purchase price of \$85,505 consists of the assumption of Enterprise's obligations for event deposits received before December 29, 2014 and outstanding gift certificates. Enterprise expects to recognize a loss of approximately \$245,000 on this sale in fiscal 2015.