



ATLANTA, GEORGIA

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

**PIEDMONT PARK CONSERVANCY, INC.
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DECEMBER 31, 2017 AND 2016**

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Jones and Kolb
Certified Public Accountants
Atlanta, Georgia

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Piedmont Park Conservancy, Inc.
Atlanta, Georgia

We have audited the accompanying financial statements of Piedmont Park Conservancy, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 audits 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 Organization'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 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 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 Piedmont Park Conservancy, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Jones and Kelly

March 27, 2018

PIEDMONT PARK CONSERVANCY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

ASSETS

	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,432,381	\$ 1,127,939
Pledges receivable	135,500	220,583
Accounts receivable	11,645	-
Prepaid expenses	30,915	36,343
Other current assets	30,967	24,716
Total current assets	1,641,408	1,409,581
PROPERTY AND EQUIPMENT		
Land, building and improvements	4,420,383	4,420,383
Furniture, fixtures and equipment	601,116	611,906
Total	5,021,499	5,032,289
Less accumulated depreciation	1,799,637	1,675,999
Total property and equipment	3,221,862	3,356,290
Total assets	\$ 4,863,270	\$ 4,765,871

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 46,334	\$ 94,281
Capital lease obligations	-	4,927
Deferred revenue	228,450	270,148
Total current liabilities	274,784	369,356
NET ASSETS		
Unrestricted		
Undesignated	3,628,466	3,074,812
Designated by Board as operating and maintenance reserve	200,000	-
Total unrestricted	3,828,466	3,074,812
Temporarily restricted	760,020	1,321,703
Total net assets	4,588,486	4,396,515
Total liabilities and net assets	\$ 4,863,270	\$ 4,765,871

The accompanying notes to financial statements
are an integral part of these statements.

PIEDMONT PARK CONSERVANCY, INC.
STATEMENTS OF ACTIVITIES AND NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
UNRESTRICTED SUPPORT		
Rental income	\$ 974,846	\$ 1,010,538
Special events	679,560	652,736
Membership and unrestricted contributions	762,535	480,367
Program fees	638,671	610,873
City of Atlanta support	229,231	144,000
Other income	76,967	120
	<hr/>	<hr/>
Total unrestricted support	3,361,810	2,898,634
NET ASSETS RELEASED FROM RESTRICTIONS	<u>1,157,686</u>	<u>1,153,318</u>
TOTAL UNRESTRICTED SUPPORT AND RECLASSIFICATIONS	<u>4,519,496</u>	<u>4,051,952</u>
EXPENSES		
Program services	2,632,154	2,623,038
Supporting services		
Management and general	371,988	214,337
Fundraising	483,766	432,284
Direct costs of special events	277,934	255,446
	<hr/>	<hr/>
Total expenses	3,765,842	3,525,105
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Change in unrestricted net assets	753,654	526,847
TEMPORARILY RESTRICTED SUPPORT		
Temporarily restricted contributions	542,530	539,833
Endowment fund distributions	53,473	52,691
	<hr/>	<hr/>
Total temporarily restricted support	596,003	592,524
NET ASSETS RELEASED FROM RESTRICTIONS	<u>(1,157,686)</u>	<u>(1,153,318)</u>
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Change in temporarily restricted net assets	(561,683)	(560,794)
CHANGE IN NET ASSETS	191,971	(33,947)
NET ASSETS, Beginning of year	<u>4,396,515</u>	<u>4,430,462</u>
NET ASSETS, End of year	<u>\$ 4,588,486</u>	<u>\$ 4,396,515</u>

The accompanying notes to financial statements
are an integral part of these statements.

PIEDMONT PARK CONSERVANCY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 191,971	\$ (33,947)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation	154,228	145,285
Decrease (increase) in pledges receivable	85,083	(165,833)
(Increase) decrease in accounts receivable	(11,645)	23,245
Decrease in prepaid expenses	5,428	1,324
Increase in other current assets	(6,251)	(23,716)
(Decrease) increase in accounts payable	(47,947)	49,017
(Decrease) increase in deferred revenue	(41,698)	1,356
Total adjustments	<u>137,198</u>	<u>30,678</u>
Net cash and cash equivalents provided by (used in) operating activities	<u>329,169</u>	<u>(3,269)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(19,800)</u>	<u>(362,248)</u>
Net cash and cash equivalents used in investing activities	<u>(19,800)</u>	<u>(362,248)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligation	<u>(4,927)</u>	<u>(11,539)</u>
Net cash and cash equivalents used in financing activities	<u>(4,927)</u>	<u>(11,539)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	304,442	(377,056)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,127,939</u>	<u>1,504,995</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,432,381</u>	<u>\$ 1,127,939</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Interest paid	<u>\$ 53</u>	<u>\$ 456</u>

The accompanying notes to financial statements
are an integral part of these statements.

**PIEDMONT PARK CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Piedmont Park Conservancy, Inc. ("PPC") is a nonprofit organization created in 1989 for the purpose of the restoration and preservation of Piedmont Park (the "Park"), a City of Atlanta (the "City") public park in Atlanta, Georgia. PPC programs include (1) the planning and implementation of park improvements, (2) on-going park maintenance and beautification and (3) cultural, educational and recreational activities and events in the Park.

In February 2012, the Atlanta City Council approved and passed a Memorandum of Understanding (the "MOU") outlining PPC's relationship with the City, defining in broad terms the responsibilities of PPC and the City regarding the operation of the Park. Prior to March 2012, PPC operated under an MOU approved in February 2006. The 2012 MOU has a five-year term with a provision for one five-year renewal term, and either the City or PPC may terminate the MOU, without cause, with 30 days written notice. The MOU does not affect agreements with the City regarding PPC's operation of certain City facilities for the benefit of the Park. In 2017, PPC reached an agreement with the City for the terms of a new five-year MOU. The new MOU has been approved by the Atlanta City Council and awaits the new Mayor's signature.

The MOU contains provisions allowing PPC to manage concessions and rental facilities and display banners in the Park recognizing organizations making large donations. The MOU requires PPC to ensure that vendors engaged by PPC to perform work in the Park carry certain insurance and indemnification provisions. The MOU also clarifies the City's public safety responsibilities in the Park and documents the City's commitment to fund security and janitorial services managed by PPC that supplement the City's basic police services and pay for fixed infrastructure repairs and utilities.

PPC completed restorations of the Park's Visitor Center in 1996 and Magnolia Hall and the administration buildings in 1998. PPC donated these capital improvements to the City and executed operating agreements with the City to operate each facility. Under these agreements, PPC retains all revenues generated by the facilities as an offset to operating expenses incurred by PPC to maintain the Park. PPC assumes responsibility for some maintenance obligations of utilities and internal structural features that were otherwise required of the City. The City retains responsibility for systems including plumbing and electrical on these structures. During 2015, PPC and the City agreed to an operating agreement for maintaining the Park. The operating agreement contains riders that govern the maintenance and revenue collection for multiple facilities inside of the Park.

During 2009, PPC fully redesigned and rebuilt the Piedmont Park Pool and the two-story adjacent building. The bottom level of the building and the pool are collectively referred to as the "Aquatic Center." The upper level of the building, including the entry plaza and all outdoor patio and terrace areas, is referred to as "Greystone." PPC donated these capital improvements to the City and executed operating agreements with the City to manage the Aquatic Center and

PIEDMONT PARK CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
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Greystone. These agreements also specify that PPC retains all revenues generated to offset operating expenses incurred by PPC to maintain the Park.

Gold LEED certification has been attained for Greystone and the Aquatic Center and Silver LEED certification has been attained for the Mayors' Grove Restroom. LEED is an internationally recognized green building certification system providing third-party verification that a building or a community is designed and built using strategies aimed at improving performance across all the metrics that matter most: energy savings, water efficiency, carbon dioxide emissions reduction, improved indoor environmental quality and stewardship of resources and sensitivity to their impacts. Greystone and the Aquatic Center have also received awards from the Atlanta Urban Design Commission, the Urban Land Institute and the Georgia Society for Historic Preservation.

During 2010, PPC completed construction of a maintenance facility for the use by PPC and the City. During 2011, substantial portions of the North Woods expansion project, as well as new basketball courts, were completed and placed in service.

The North Woods expansion project (the "Project") is a component of the Master Plan to Enhance Piedmont Park. Phase 1 of the Project includes more than 20,000 gallons of underground storm water recapture, 1,500 dark-sky cap lighting poles, well/pump and irrigation infrastructure and miles of ADA accessible paths and trails. It includes activation of the expansion area extending the activated Park's acreage from the historic park northward. This phase also includes the following above-ground amenities: the Clear Creek corridor re-naturalization, Six Springs Wetland area, Legacy Fountain and Arbor, the Promenade Lawn, the Grand Plaza, a three-acre hardwood forest now called "Walker Woods," two ADA accessible public restrooms, a maintenance facility, four new pedestrian entrances, basketball and bocce courts, and the expanded dog park area. These amenities were collectively celebrated and opened to the public with ribbon cutting or other public activations between April and May of 2011. During December 2013, PPC executed an operating agreement with the City to manage the Greensward, which comprises an upper and a lower meadow, the Legacy Fountain and the landing and paths surrounding the fountain. This agreement specifies that PPC retains all revenues generated to offset operating expenses incurred by PPC to maintain the Park.

During 2012, PPC received and installed a gift of outdoor fitness equipment, which was activated for public use in the summer. During 2013, PPC completed the final phase of the Project and donated it to the City.

B. PPC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, only unrelated business taxable income, as defined by Section 512(a)(1) of the Code, is subject to tax.

PIEDMONT PARK CONSERVANCY, INC.
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C. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

D. PPC records unconditional pledges in the period made by donors and allowances are provided for amounts estimated as uncollectible. All contributions are available for unrestricted purposes unless specifically restricted by the donor. At December 31, 2017 and 2016, all pledges are expected to be collected, and no allowance has been recorded.

E. Unconditional promises to give that are expected to be collected within one year are recorded at their estimated realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts, if any, is included in contribution revenue in the accompanying Statements of Activities and Net Assets. Conditional promises to give are not included as contributions until the conditions are substantially met. At December 31, 2017 and 2016, all pledges receivable are due within one year. At December 31, 2017 and 2016, 81% and 84% of pledges receivable were due from three donors and one donor, respectively.

F. Accounts receivable, net of allowances for uncollectible accounts, are recorded at the amount of cash estimated as realizable. PPC provides reserves for uncollectible accounts when specific accounts are deemed uncollectible. Accounts receivable are considered delinquent based upon how recently payments have been received. PPC considers all amounts collectible; therefore, an allowance for uncollectible accounts has not been recorded.

G. PPC records donated services as a contribution and expense if the services create or enhance a non-financial asset, or the services would (1) need to be purchased by PPC if not provided by a contribution, (2) require specialized skills, and (3) are provided by individuals with those skills. Donated materials and services are reflected as contributions in the accompanying statements at their estimated value at date of receipt. During the years ended December 31, 2017 and 2016, PPC recorded approximately \$305,000 and \$189,000, respectively, of donated services, materials and advertising, related to various fundraising events and professional services.

H. Net assets and support, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions using three classifications: unrestricted, temporarily restricted and permanently restricted. These three classifications are defined as follows:

Unrestricted net assets are not subject to donor-imposed stipulations, or the donor-imposed stipulations have been met or expired. The Board has designated, from unrestricted net assets, a repair, maintenance and operating reserve fund of \$200,000.

PIEDMONT PARK CONSERVANCY, INC.
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Temporarily restricted net assets are those net assets subject to donor-imposed restrictions that permit PPC to use or expend the donated assets as specified and are satisfied either by the passage of time or by the actions of PPC. When a donor or grantor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Net Assets as net assets released from restrictions.

Permanently restricted net assets are those net assets subject to donor-imposed restrictions that stipulate that the resources be maintained permanently but permit PPC to use or expend part or all of the income derived from the donated assets for specified or unspecified purposes. At December 31, 2017 and 2016, PPC had no permanently restricted net assets.

I. Purchased property and equipment are capitalized at cost. Donated assets are capitalized at the fair market value of the asset on the date of contribution. Additions and replacements are charged to the property accounts, while repairs and maintenance are charged to expense as incurred. Property and equipment are depreciated over the estimated useful lives of the related assets using the straight-line method. Useful lives of these assets range from five to forty years. Depreciation expense was \$154,228 and \$145,285 for the years ended December 31, 2017 and 2016, respectively.

J. All highly liquid investments with initial maturities of three months or less are considered to be cash equivalents.

K. PPC maintains cash balances at a financial institution which may, at times, exceed the federally insured limits. Management periodically reviews the financial viability of the financial institution and does not anticipate any credit risk related losses.

L. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and expenses during the reporting period. Actual results could differ from those estimates.

M. The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Net Assets. Accordingly, certain costs have been allocated among the program and supporting services benefited.

N. Management has evaluated subsequent events through March 27, 2018, which is the date these financial statements were available to be issued.

PIEDMONT PARK CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

2. PARK IMPROVEMENT PROJECTS

At December 31, 2017 and 2016, improvement projects in progress consist primarily of repairs and maintenance to existing facilities. In addition, operating and program expenses in the accompanying Statements of Activities and Net Assets include approximately \$299,000 and \$238,000 for 2017 and 2016, respectively, of facility maintenance expenses and additional safety services that were unreimbursed by the City.

3. LINE OF CREDIT

In July 2013, PPC obtained a line of credit with a financial institution which allows maximum borrowings of \$500,000 and had an original maturity date of August 6, 2015. Interest was payable monthly on outstanding borrowings at the LIBOR Market Index Rate, but not less than 4% per annum. PPC did not have an outstanding balance on the line of credit during 2016 and 2017. The line of credit was secured by all receivables and equipment of PPC. Under the terms of the agreement, PPC was required to maintain tangible total net assets, as defined, as of the end of each year of not less than \$3,200,000.

In October 2015, PPC renewed its line of credit through October 2017. The terms of the agreement remained the same as the previous agreement. PPC did not renew the line of credit upon the October 2017 expiration.

4. LEASES

During the years ended December 31, 2017 and 2016, PPC leased building space to a restaurant tenant under a noncancelable operating lease with a ten-year term which was scheduled to expire in 2017. PPC and the tenant have agreed to the terms of a five-year extension ending in 2022. The agreement and extension provide for monthly base rental payments plus a percentage of gross annual sales over a specified amount. For the years ended December 31, 2017 and 2016, rental income from these leases totaled \$80,553 and \$69,528, respectively.

During the year ended December 31, 2017, PPC entered into an agreement with another restaurant tenant under a noncancelable operating lease with a ten-year term which expires in 2028. The agreement provides for monthly base rental payments plus a percentage of gross annual sales over a specified amount. Rental payments begin at the earlier of three hundred days after PPC has delivered the premises or when the tenant begins operations. No rental income was recognized for the year ended December 31, 2017 since the tenant had not begun operations.

PIEDMONT PARK CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
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The following is a schedule of future minimum base rental payments to be received under the leases:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 82,080
2019	112,342
2020	142,630
2021	138,992
2022	102,610
Thereafter	<u>429,109</u>
Total	<u><u>\$1,007,763</u></u>

During the year ended December 31, 2014, PPC purchased a security cart and a tractor totaling \$35,985 under two capital lease agreements. Accumulated depreciation on the security cart and tractor totaled \$25,386 and \$18,189, respectively, at December 31, 2017 and 2016. PPC purchased both the security cart and tractor at the completion of the leases.

PPC leases a copier under a four-year operating lease agreement, which expired in January 2018. Rental expense was approximately \$5,200 for the years ended December 31, 2017 and 2016. The minimum lease payments due under this lease are \$430 for 2018.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$760,020 and \$1,321,703 at December 31, 2017 and 2016, respectively, are available for capital projects.

6. RETIREMENT SAVINGS PLAN

PPC provides a 401(k) retirement savings plan (the "Plan") covering substantially all employees. Annually, PPC contributes three percent of each eligible participant's annual compensation into a retirement savings account for that participant under the Plan. PPC employees become eligible to enter the Plan on the first January 1 or July 1 following a 90-day waiting period after their date of hire. One year after a participant is eligible to enter the Plan, the participant is eligible for the PPC three percent safe harbor contribution. Eligible employees may contribute pre-tax amounts via payroll deduction into their retirement savings account under the Plan. PPC contributions to participant accounts under the Plan were \$29,752 and \$29,265 for the years ended December 31, 2017 and 2016, respectively.

PIEDMONT PARK CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

7. ENDOWMENT FUND

In 2003, a donor contributed \$1,000,000 to PPC to establish a permanent endowment fund with the Community Foundation for Greater Atlanta, Inc. (the "Foundation"). The restricted fund agreement grants ownership and control of this endowment fund to the Foundation, with annual distributions from the fund paid to PPC to help care for the Park. Accordingly, the endowment fund is not recorded as an asset of PPC and is not recognized in the accompanying financial statements. The market value of this endowment fund was \$1,265,280 and \$1,153,144 at December 31, 2017 and 2016, respectively. Distributions to PPC from this endowment fund are recorded as contributions in the year they are received. Distributions of \$53,473 and \$52,691 were received from the endowment fund during the years ended December 31, 2017 and 2016, respectively.