

Friends of the High Line, Inc.

Financial Statements

December 31, 2022
(With Comparative Totals for 2021)



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Friends of the High Line, Inc.
New York, New York

Opinion

We have audited the accompanying financial statements of Friends of the High Line, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of the High Line, Inc. as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Friends of the High Line, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends of the High Line, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Friends of the High Line, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends of the High Line, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

The financial statements of Friends of the High Line, Inc. as of December 31, 2021, were audited by other auditors whose report dated April 27, 2022, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent in all material respects, with the audited financial statements from which it has been derived.



Armanino CPA^{LLP}
New York, New York

April 25, 2023

Friends of the High Line, Inc.
Statement of Financial Position
December 31, 2022
(With Comparative Totals for 2021)
(In thousands)

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 4,037	\$ 5,800
Investments	75,921	80,690
Contributions receivable	35,122	16,156
Other accounts receivable	972	790
Inventory	248	247
Property and equipment, net	<u>292</u>	<u>358</u>
Total assets	<u>\$ 116,592</u>	<u>\$ 104,041</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 4,251	\$ 1,896
Deferred revenue	<u>912</u>	<u>1,417</u>
Total liabilities	<u>5,163</u>	<u>3,313</u>
Net assets		
Without donor restrictions	65,838	71,137
With donor restrictions	<u>45,591</u>	<u>29,591</u>
Total net assets	<u>111,429</u>	<u>100,728</u>
Total liabilities and net assets	<u>\$ 116,592</u>	<u>\$ 104,041</u>

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

Friends of the High Line, Inc.
Statement of Activities
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)
(In thousands)

	Without Donor Restrictions						
	Operations	Campaign Activity	Board Designated	Total	With Donor Restrictions	2022 Total	2021 Total
Revenues, gains, and other support							
Contributions	\$ 4,079	\$ 8,640	\$ -	\$ 12,719	\$ 21,371	\$ 34,090	\$ 9,881
Special events	5,010	-	-	5,010	2,650	7,660	3,452
Less: special event costs	(1,006)	-	-	(1,006)	-	(1,006)	(563)
Rental income	1,240	-	-	1,240	-	1,240	384
Contract and other revenue	2,473	120	-	2,593	-	2,593	1,239
Investment income/(loss)	43	93	(6,673)	(6,537)	(1,240)	(7,777)	8,095
Retail	3	-	-	3	-	3	-
In-kind income	873	-	-	873	-	873	382
CARES Act grant funds	-	-	-	-	-	-	1,768
Write off of restricted pledges	-	-	-	-	-	-	(9,441)
Net assets released from restriction	<u>6,058</u>	<u>723</u>	<u>-</u>	<u>6,781</u>	<u>(6,781)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>18,773</u>	<u>9,576</u>	<u>(6,673)</u>	<u>21,676</u>	<u>16,000</u>	<u>37,676</u>	<u>15,197</u>
Functional expenses							
Program services							
High Line Planning and Construction	86	8,230	-	8,316	-	8,316	2,213
High Line Operations	7,361	-	-	7,361	-	7,361	6,522
Programming and Education	<u>4,072</u>	<u>-</u>	<u>-</u>	<u>4,072</u>	<u>-</u>	<u>4,072</u>	<u>3,449</u>
Total program services	<u>11,519</u>	<u>8,230</u>	<u>-</u>	<u>19,749</u>	<u>-</u>	<u>19,749</u>	<u>12,184</u>
Support services							
Management and general	3,206	-	-	3,206	-	3,206	2,698
Fundraising	<u>3,478</u>	<u>542</u>	<u>-</u>	<u>4,020</u>	<u>-</u>	<u>4,020</u>	<u>2,989</u>
Total support services	<u>6,684</u>	<u>542</u>	<u>-</u>	<u>7,226</u>	<u>-</u>	<u>7,226</u>	<u>5,687</u>
Total functional expenses	<u>18,203</u>	<u>8,772</u>	<u>-</u>	<u>26,975</u>	<u>-</u>	<u>26,975</u>	<u>17,871</u>
Change in net assets	570	804	(6,673)	(5,299)	16,000	10,701	(2,674)
Net assets, beginning of year	<u>7,543</u>	<u>9,617</u>	<u>53,977</u>	<u>71,137</u>	<u>29,591</u>	<u>100,728</u>	<u>103,402</u>
Net assets, end of year	<u>\$ 8,113</u>	<u>\$ 10,421</u>	<u>\$ 47,304</u>	<u>\$ 65,838</u>	<u>\$ 45,591</u>	<u>\$ 111,429</u>	<u>\$ 100,728</u>

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

Friends of the High Line, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)
(In thousands)

	High Line Planning and Construction	High Line Operations	Programming and Education	Management and General	Fundraising	2022 Total	2021 Total
Functional expenses							
Personnel expenses	\$ 419	\$ 5,300	\$ 2,144	\$ 2,298	\$ 2,152	\$ 12,313	\$ 10,083
Capital expenses	7,824	-	-	-	-	7,824	1,920
Professional services	6	328	507	435	632	1,908	2,291
In-kind expense	44	174	61	44	550	873	-
Art production	-	-	680	-	-	680	922
Repairs and maintenance	1	533	9	4	5	552	364
Office supplies	11	264	77	73	122	547	398
Event costs	-	21	211	65	167	464	116
Security	-	364	3	-	17	384	478
Printing and publications	1	80	54	4	157	296	233
Contract labor	-	24	106	51	2	183	137
Travel	1	20	95	11	23	150	44
Occupancy	1	50	32	2	14	99	94
Credit card and other fees	-	-	1	57	39	98	79
Other expenses	-	1	31	16	47	95	67
Postage	-	4	5	2	68	79	62
Insurance	3	19	25	10	14	71	70
Staff development	3	30	9	24	1	66	40
Accounting fees	-	-	-	55	-	55	54
Legal fees	-	-	-	45	-	45	194
Telephone	1	17	9	5	6	38	34
Licenses and fees	-	1	1	2	-	4	14
Depreciation and amortization	1	131	12	3	4	151	177
	<u>\$ 8,316</u>	<u>\$ 7,361</u>	<u>\$ 4,072</u>	<u>\$ 3,206</u>	<u>\$ 4,020</u>	<u>\$ 26,975</u>	<u>\$ 17,871</u>

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

Friends of the High Line, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)
(In thousands)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 10,701	\$ (2,674)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Unrealized losses on investments, net	8,083	4,471
Realized (gains) losses on investments, net	783	(11,256)
Donations of stock	(2,747)	-
Depreciation and amortization	151	177
Write off of restricted pledges	-	9,441
Changes in operating assets and liabilities		
Pledge receivables	(18,966)	2,215
Trade receivables	316	(43)
Inventory	(1)	(43)
Accounts payable and accrued expenses	<u>1,850</u>	<u>94</u>
Net cash provided by operating activities	<u>170</u>	<u>2,382</u>
Cash flows from investing activities		
Purchases of property and equipment	(85)	(58)
Purchases of investments	(37,483)	(104,650)
Proceeds from sale of investments	<u>35,635</u>	<u>103,081</u>
Net cash used in investing activities	<u>(1,933)</u>	<u>(1,627)</u>
Net increase (decrease) in cash and cash equivalents	(1,763)	755
Cash and cash equivalents, beginning of year	<u>5,800</u>	<u>5,045</u>
Cash and cash equivalents, end of year	<u>\$ 4,037</u>	<u>\$ 5,800</u>

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

Friends of the High Line, Inc.
Notes to Financial Statements
December 31, 2022
(In thousands)

1. NATURE OF OPERATIONS

Friends of the High Line, Inc. (the "Organization") is a non-profit conservancy responsible for maintaining an extraordinary public space on the High Line. The High Line is a 1.45-mile elevated freight rail line transformed into a public park on Manhattan's West Side. It is owned by The City of New York, and maintained and operated by the Organization under a license agreement.

Founded in 1999 by community residents, the Organization worked to preserve and transform the structure, and now works with the New York City Department of Parks & Recreation in overseeing maintenance, operations, and public programming for the park. The Organization also works to raise private funds to support the park's annual operating budget.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") which recognizes support revenue when earned and expenses when incurred.

Net assets and changes therein are classified as follows:

- *Net assets without donor restrictions* - net assets not subject to donor-imposed stipulations. Net assets without donor restrictions includes a board-designated operating reserve.
- *Net assets with donor restrictions* - net assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization, as well as net assets subject to donor-imposed stipulations that require they be maintained in perpetuity. Net assets with donor restrictions also include the portion of donor-restricted endowment earnings that have not yet been appropriated for expenditure by the Organization.

Cash and cash equivalents

The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investments received as contributions are recorded at fair value on the date of donation. Alternative investments are valued at the net asset value per unit or percentage of ownership as reported by the fund managers.

Friends of the High Line, Inc.
Notes to Financial Statements
December 31, 2022
(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. U.S. GAAP requires the Organization to disclose assets and liabilities measured at fair value based on the level of observable inputs.

The three levels of the fair value hierarchy are as follows:

- *Level 1* - Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- *Level 2* - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- *Level 3* - Significant unobservable inputs for the asset or liability. Unobservable inputs reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Organization's own data.

Valuation techniques used in fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date.

Receivables

The Organization evaluates the collectability of its contributions receivable on an ongoing basis and records a reserve for potential uncollectible contributions receivable. During the year ended December 31, 2022, the Organization determined that all current contributions receivable were deemed collectible. At December 31, 2022, the allowance for doubtful contributions receivable at \$90. Additionally, any contributions that are expected to be collected after one year have been discounted and are reflected in the financial statements at their net present value.

Friends of the High Line, Inc.
Notes to Financial Statements
December 31, 2022
(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed goods and services

The Organization receives in-kind and professional service donations. In-kind donation of goods are recorded based on the estimated fair value at the date the contribution is made. Professional service donations are recognized as contribution revenue at the fair value of those services, in the services (a) create or enhance non-financial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would be purchased if not donated. In-kind and professional service donations for the year ended December 31, 2022 totaled \$873 and is classified as contributions and expense based on the nature of the donation.

Property and equipment

Property, plant and equipment are recorded at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets which range from three to ten years. The Organization's policy is to capitalize property, plant and equipment expenditures or donated property, plant and equipment greater than \$5.

Inventory

Inventories are stated at the lower of cost or net realizable value. On an ongoing basis, inventories are reviewed and adjusted for estimated obsolescence to reflect the lower of cost or net realizable value. Charges to increase inventory reserves are recorded as an increase in cost of sales. As of December 31, 2022, there were no reserves for inventory obsolescence.

Revenue recognition and deferred revenue

Contributions are recognized as revenue when they are received or unconditionally promised as prescribed by Accounting Standards Codification 958 - 605, Not-for-Profit Entities - Revenue Recognition. The Organization reports gifts of cash and other asset as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor stipulation expires, that is, when a stipulated time restriction ends or the purpose is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restriction. Conditional promises to give are not recorded as contribution until they become unconditional; that is when the barrier has been overcome and right of release/right of return no longer exists.

Donor-restricted contributions whose restrictions are met in the same reporting period as the contribution are recorded and reported as contributions with donor restrictions and net assets released from restriction as donor restrictions are met.

Friends of the High Line, Inc.
Notes to Financial Statements
December 31, 2022
(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition and deferred revenue (continued)

The Organization recognizes sublicensing restaurant income, sublicensing concessions income, merchandise sales, and venue rental income when it satisfies a performance obligation by transferring control over a product or service to a customer. Revenue from performance obligations is typically satisfied at a point in time when title to goods and risk of loss have transferred to the customer.

Advertising costs

The Organization's policy is to expense advertising costs as the costs are incurred. Advertising costs totaled \$19 for the year ended December 31, 2022 and are included in direct response and publications on the statement of functional expenses.

Functional expenses

Expenses have been charged to program services classifications based on direct expenditures incurred. Expenses that are allocated include salaries, payroll taxes and benefits, which are allocated on the basis of estimates of employee time and effort, and repairs, maintenance, and equipment rental, depreciation, insurance and general office expenses, which are allocated on a square footage basis.

Income tax status

The Organization is a nonprofit corporation exempt from Federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Therefore, these financial statements contain no provision for such taxes. Informational returns are filed annually with federal and state taxing authorities.

The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained, and changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Organization has evaluated its current tax positions and has concluded that as of December 31, 2022, it does not have any significant uncertain tax positions for which a reserve would be necessary.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Friends of the High Line, Inc.
Notes to Financial Statements
December 31, 2022
(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

Certain reclassifications have been made to the 2021 financial statements in order to conform to the 2022 financial statement presentation.

Subsequent events

The Organization has evaluated subsequent events through April 25, 2023, the date the financial statements were available to be issued, and has determined no subsequent events have occurred that would have a material impact on the presentation of the Organization's financial statements.

Change in accounting principle

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842). Under the amendments in this ASU, a lessee should recognize the assets and liabilities that arise from leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The Organization adopted ASU 2016-02 with a date of the initial application of January 1, 2022. The Adoption of ASU 2016-02 did not have a significant impact on the Organization's financial position, results of operations, or cash flows.

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-financial Assets. Under this ASU, a not-for-profit entity is required to include enhanced disclosures surrounding the nature and valuation techniques of the contributed non-financial assets. The Organization adopted ASU 2020-07 with a date of the initial application of January 1, 2022. The Adoption of ASU 2020-07 did not have a significant impact on the Organization's financial position, results of operations, or cash flows.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable represent unconditional promises to give by donors. Contributions receivable expected to be collected after one year are recorded at present value using a 3% discount which is reflective of market considerations.

Contributions receivable consisted of the following:

Receivable in less than one year	\$ 9,842
Receivable in one to five years	27,714
	<hr/> 37,556
Less: discount on contributions receivable	<hr/> (2,434)
	<hr/> <hr/> \$ 35,122

Friends of the High Line, Inc.
Notes to Financial Statements
December 31, 2022
(In thousands)

4. INVESTMENTS

Investments consisted of the following:

Cash and cash equivalents	\$ 22,901
Equity funds	34,639
Fixed income funds	12,405
Private equity funds	3,263
Hedge funds	2,488
Diversified strategies-balanced funds	<u>225</u>
	<u><u>\$ 75,921</u></u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 22,901	\$ -	\$ -	\$ 22,901
Equity funds	34,639	-	-	34,639
Fixed income funds	12,405	-	-	12,405
Diversified strategies-balanced funds	<u>225</u>	<u>-</u>	<u>-</u>	<u>225</u>
	<u><u>\$ 70,170</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	70,170

Investments measured at net asset value	<u>5,751</u>
	<u><u>\$ 75,921</u></u>

Investment earnings (losses) consisted of the following:

Interest and dividends	\$ 1,368
Fees	(279)
Realized gains and (losses)	(783)
Unrealized gains and (losses)	<u>(8,083)</u>
	<u><u>\$ (7,777)</u></u>

Friends of the High Line, Inc.
Notes to Financial Statements
December 31, 2022
(In thousands)

4. INVESTMENTS (continued)

Alternative investments are as follows at December 31, 2022:

Product	Strategy	NAV in Funds	# of Funds	Amount of Remaining Life	Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Redemption Price at Year End
Private equity	Non-traditional	\$ 3,263	7	N.A	468	N.A	Monthly with 30 day notice	None	None
Hedge fund	Non-traditional	\$ 2,488	1	N.A	0	N.A	Monthly with 30 day notice	None	None

Hedge Funds: These funds invest in equity, fixed income, and derivative investments and vary their investment strategies in response to changing market opportunities.

Private Equity Funds: These funds employ buyout and venture capital strategies, with a particular focus on purchase, improvement and development of companies not traded on a stock exchange.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Machinery and equipment	\$ 1,090
Furniture and fixtures	356
Software	336
Office equipment	195
Computer equipment	<u>62</u>
	2,039
Accumulated depreciation and amortization	<u>(1,747)</u>
	<u><u>\$ 292</u></u>

Depreciation expense for the year ended December 31, 2022 amounted to \$151.

6. COMMITMENTS AND CONTINGENCIES

The Organization is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to such actions will not materially affect the financial position or results of operations.

Friends of the High Line, Inc.
Notes to Financial Statements
December 31, 2022
(In thousands)

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Restricted for a specified purpose	
Campaign	\$ 26,961
Events	2,650
Maintenance and operations	2,053
Art	989
Education	357
High Line Network	160
Vision Fund	140
Community engagement	37
Donor-restricted endowment	<u>8,069</u>
	41,416
Contributions receivable without donor restrictions	<u>4,175</u>
	<u><u>\$ 45,591</u></u>

Net assets with donor restrictions released from restriction during the year were as follows:

Restricted for a specified purpose	
Maintenance and operations	\$ 3,602
Art	1,030
High Line Network	956
Campaign	723
Education and other programs	<u>470</u>
	<u><u>\$ 6,781</u></u>

8. ENDOWMENT

The Organization's endowment consists of several individual funds established for a variety of purposes. Its endowment includes only donor-restricted endowment funds. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Friends of the High Line, Inc.
Notes to Financial Statements
December 31, 2022
(In thousands)

8. ENDOWMENT (continued)

Interpretation of relevant law

The Organization's Board of Directors has interpreted UPMIFA as requiring the preservation 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. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

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. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the Organization diversifies its investments, subject to practicality constraints, among a variety of asset classes so as to provide a balance that will enhance total real return while avoiding undue risk concentration in any single asset class or investment category.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2022.

Friends of the High Line, Inc.
Notes to Financial Statements
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8. ENDOWMENT (continued)

Spending policy

Under the current policy adopted in November 2021 by the Board of Directors, the withdrawal of funds can only be made for qualified expenses as defined by UPMIFA and must be signed for by the Organization. The Organization will use a 12 quarter rolling average ending market value of its long-term investments, through the third quarter of the prior fiscal year with the spending target being determined annually by the Audit and Finance Committee (set at 4% of market value or, if less, an amount needed to break even where revenues do not exceed expenses). All earnings of the endowment funds not withdrawn shall be reinvested. Endowment Funds invested in connection with donor contributions will be spent in compliance with the grant requirements.

Endowment composition

Endowment net asset composition by type of fund as of December 31, 2022 is as follows:

		<u>With Donor Restrictions</u>		
	<u>Without Donor Restrictions</u>	<u>Investment in Perpetuity</u>	<u>Investment Income Above Corpus</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 6,348	\$ 1,721	\$ 8,069
Board-designated endowment funds	<u>47,304</u>	<u>-</u>	<u>-</u>	<u>47,304</u>
	<u>\$ 47,304</u>	<u>\$ 6,348</u>	<u>\$ 1,721</u>	<u>\$ 55,373</u>

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8. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended December 31, 2022 is as follows:

		<u>With Donor Restrictions</u>		
	<u>Without Donor Restrictions</u>	<u>Investment in Perpetuity</u>	<u>Investment Income Above Corpus</u>	<u>Total</u>
Balance, December 31, 2021	\$ 53,977	\$ 5,843	\$ 2,961	\$ 62,781
Investment return				
Investment loss	(6,447)	-	(1,240)	(7,687)
Fees	(226)	-	-	(226)
Total investment return	(6,673)	-	(1,240)	(7,913)
Contributions	-	505	-	505
	(6,673)	505	(1,240)	(7,408)
Balance, December 31, 2022	<u>\$ 47,304</u>	<u>\$ 6,348</u>	<u>\$ 1,721</u>	<u>\$ 55,373</u>

In addition to the above invested funds, unconditional promises to give, perpetual in nature, at December 31, 2022 totaled \$3,500.

9. IN-KIND REVENUE AND SUPPORT

In-kind revenue and support are as follows:

	<u>Contributions</u>	<u>Expenses</u>
Event design and decor	\$ 444	\$ 444
Legal	176	176
Communications	133	133
Catering	69	69
Engineering workshops	44	44
Security	6	6
	<u>\$ 872</u>	<u>\$ 872</u>

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10. LIQUIDITY AND FUNDS AVAILABLE

The Organization operates with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. A substantial portion of general expenditures during a given year are funded with contributions, benefit income, and other revenue earned during the year. The Organization considers general expenditures to consist of all expenses related to its ongoing program services, and the expenses related to general, administrative and fundraising activities undertaken to support those services.

The Organization regularly monitors liquidity to meet its operating needs and other commitments and obligations, while seeking to maximize the investment of its available funds. Management prepares regular cash flow projections to determine liquidity needs and to maintain liquid financial assets on an ongoing basis sufficient to cover 90 days of general expenditures.

Financial assets available for general expenditure within one year as of December 31:

Cash and cash equivalents	\$ 4,037
Pledge receivables	35,122
Other accounts receivable	972
Investments	<u>75,921</u>
	116,052
Campaign for the High Line	(38,783)
Restricted for specific purposes or passage of time	(7,373)
Board designated endowment	(47,304)
Operating reserve	(3,000)
Amounts expected to be appropriated within one year	2,152
Restricted in perpetuity	<u>(8,069)</u>
	<u><u>\$ 13,675</u></u>

The Organization maintains an operating reserve with a minimum balance requirement of \$3,000. These amounts could be made available to meet cash needs for general expenditures at the discretion of the Board of Directors.