

FRIENDS OF THE HIGH LINE, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2014

FRIENDS OF THE HIGH LINE, INC.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Friends of the High Line, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of the High Line, Inc. as of December 31, 2014, 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.

Report on Summarized Comparative Information

We have previously audited Friends of the High Line, Inc.'s 2013 financial statements, and our report dated May 13, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Lotz + Carr, LLP

New York, New York
April 27, 2015

FRIENDS OF THE HIGH LINE, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014 WITH COMPARATIVE TOTALS FOR 2013

	2014								2013			
	Operations			Campaign for the High Line					Total	Operations	Campaign for the High Line	Total
	Unrestricted	Temporarily Restricted	Total Operations	Unrestricted	Board Designated High Line Fund	Temporarily Restricted	Permanently Restricted	Total Campaign for the High Line				
Assets												
Cash and cash equivalents (Notes 1b and 9a)	\$ 1,100,902	\$ 223,489	\$ 1,324,391	\$13,853,585	\$ -	\$ -	\$ 250,000	\$14,103,585	\$15,427,976	\$ 3,130,053	\$11,464,403	\$14,594,456
Unconditional promises to give (Notes 1e, 3 and 9b)												
Unrestricted	234,290	-	234,290	-	-	-	-	-	234,290	449,972	50,000	499,972
Restricted to future programs and periods	-	2,629,339	2,629,339	-	-	25,843,014	-	25,843,014	28,472,353	2,649,507	30,133,151	32,782,658
Restricted to endowments	-	-	-	-	-	-	1,142,121	1,142,121	1,142,121	-	772,677	772,677
Accounts receivable and other current assets	147,218	-	147,218	22,115	-	-	-	22,115	169,333	109,091	142,362	251,453
Accrued interest receivable	4,030	-	4,030	1,817	14,436	13,090	-	29,343	33,373	6,412	13,733	20,145
Inventory (Note 1f)	468,656	-	468,656	-	-	-	-	-	468,656	445,289	-	445,289
Investments (Notes 1c, 1d and 4)	5,769,762	-	5,769,762	6,986,880	26,290,764	136,498	2,964,000	36,378,142	42,147,904	6,384,312	29,534,149	35,918,461
Lease acquisition costs, net of accumulated amortization of \$47,000 (2014) and \$37,800 (2013) (Note 1g)	-	-	-	-	-	-	-	-	-	9,200	-	9,200
Property and equipment, at cost (net of accumulated depreciation) (Notes 1h and 5)	711,205	-	711,205	-	-	-	-	-	711,205	216,452	417,819	634,271
Security deposits	11,726	-	11,726	-	-	-	-	-	11,726	45,250	-	45,250
Total Assets	\$ 8,447,789	\$ 2,852,828	\$11,300,617	\$20,864,397	\$26,305,200	\$25,992,602	\$ 4,356,121	\$77,518,320	\$88,818,937	\$13,445,538	\$72,528,294	\$85,973,832
Liabilities and Net Assets												
Liabilities												
Accounts payable and accrued expenses	\$ 530,682	\$ -	\$ 530,682	\$ 70,034	\$ -	\$ -	\$ -	\$ 70,034	\$ 600,716	\$ 657,855	\$ -	\$ 657,855
Construction and renovation costs payable	-	-	-	589,502	-	-	-	589,502	589,502	-	1,385,999	1,385,999
Liability under Section 457 Plan (Note 10b)	107,649	-	107,649	-	-	-	-	-	107,649	72,138	-	72,138
Refundable advances	75,000	-	75,000	-	-	-	-	-	75,000	50,000	-	50,000
Refundable deposits payable	3,000	-	3,000	-	-	-	-	-	3,000	166,097	-	166,097
Total Liabilities	716,331	-	716,331	659,536	-	-	-	659,536	1,375,867	946,090	1,385,999	2,332,089
Commitments (Notes 8 and 10)												
Net Assets												
Unrestricted (Note 2a)												
Operating	1,255,615	-	1,255,615	-	-	-	-	-	1,255,615	3,854,744	-	3,854,744
Board designated operating reserve	6,475,843	-	6,475,843	-	-	-	-	-	6,475,843	5,609,964	-	5,609,964
Campaign for the High Line - Board Designated High Line Fund	-	-	-	-	26,305,200	-	-	26,305,200	26,305,200	-	20,666,471	20,666,471
Campaign for the High Line - other	-	-	-	20,204,861	-	-	-	20,204,861	20,204,861	-	17,875,493	17,875,493
Temporarily restricted (Note 2b)												
Operations	-	2,852,828	2,852,828	-	-	-	-	-	2,852,828	3,034,740	-	3,034,740
Campaign for the High Line	-	-	-	-	-	25,992,602	-	25,992,602	25,992,602	-	30,251,988	30,251,988
Permanently restricted (Notes 2c and 7)	-	-	-	-	-	-	4,356,121	4,356,121	4,356,121	-	2,348,343	2,348,343
Total Net Assets	7,731,458	2,852,828	10,584,286	20,204,861	26,305,200	25,992,602	4,356,121	76,858,784	87,443,070	12,499,448	71,142,295	83,641,743
Total Liabilities and Net Assets	\$ 8,447,789	\$ 2,852,828	\$11,300,617	\$20,864,397	\$26,305,200	\$25,992,602	\$ 4,356,121	\$77,518,320	\$88,818,937	\$13,445,538	\$72,528,294	\$85,973,832

See notes to financial statements.

FRIENDS OF THE HIGH LINE, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014 WITH COMPARATIVE TOTALS FOR 2013

	2014								2013			
	Operations			Campaign for the High Line					Total	Operations	Campaign for the High Line	Total
	Unrestricted	Temporarily Restricted	Total Operations	Unrestricted	Board Designated High Line Fund	Temporarily Restricted	Permanently Restricted	Total Campaign for the High Line				
Changes in Net Assets												
Revenues and Other Support												
Contributions (Notes 1e and 9b)	\$ 4,295,757	\$ 832,246	\$ 5,128,003	\$ 4,143,276	\$ -	\$ 3,489,384	\$ 7,778	\$ 7,640,438	\$12,768,441	\$ 5,215,860	\$20,991,706	\$26,207,566
Benefit income	5,196,115	-	5,196,115	-	-	-	-	-	5,196,115	4,848,298	-	4,848,298
Less: Direct benefit expense (Note 6)	(1,295,820)	-	(1,295,820)	-	-	-	-	-	(1,295,820)	(1,226,241)	-	(1,226,241)
Donated services (Note 6)	569,667	-	569,667	-	-	-	-	-	569,667	954,810	-	954,810
Investment income (loss) (Note 4)	58,697	-	58,697	42,007	424,676	30,751	-	497,434	556,131	(27,958)	1,546,126	1,518,168
Facilities rental, including concessions	479,262	-	479,262	-	-	-	-	-	479,262	760,895	-	760,895
Merchandise sales, net of cost of goods sold \$363,826 (2014) and \$231,734 (2013)	588,955	-	588,955	-	-	-	-	-	588,955	355,977	-	355,977
Field trips and walking tours	35,155	-	35,155	-	-	-	-	-	35,155	42,659	-	42,659
Other revenue	22,030	-	22,030	-	-	-	-	-	22,030	3,304	-	3,304
	<u>9,949,818</u>	<u>832,246</u>	<u>10,782,064</u>	<u>4,185,283</u>	<u>424,676</u>	<u>3,520,135</u>	<u>7,778</u>	<u>8,137,872</u>	<u>18,919,936</u>	<u>10,927,604</u>	<u>22,537,832</u>	<u>33,465,436</u>
Net assets released from restrictions												
Satisfaction of operating program and period restrictions (\$842,584 in 2013)	1,014,158	(1,014,158)	-	-	-	-	-	-	-	-	-	-
Satisfaction of period restrictions on campaign pledges (\$6,698,333 in 2013)	-	-	-	6,779,521	-	(6,779,521)	-	-	-	-	-	-
Change in allowance of temporarily restricted pledges	-	-	-	-	-	1,000,000	-	1,000,000	1,000,000	-	(4,500,000)	(4,500,000)
Redesignation of funds by donor	-	-	-	-	-	(2,000,000)	2,000,000	-	-	-	-	-
Appropriations for use in operations	322,613	-	322,613	-	(322,613)	-	-	(322,613)	-	-	-	-
Total Revenues and Other Support	<u>11,286,589</u>	<u>(181,912)</u>	<u>11,104,677</u>	<u>10,964,804</u>	<u>102,063</u>	<u>(4,259,386)</u>	<u>2,007,778</u>	<u>8,815,259</u>	<u>19,919,936</u>	<u>10,927,604</u>	<u>18,037,832</u>	<u>28,965,436</u>
Expenses (Note 11)												
Program Services												
High Line planning and construction	332,734	-	332,734	3,979,185	-	-	-	3,979,185	4,311,919	614,508	6,710,313	7,324,821
High Line operations	4,644,758	-	4,644,758	-	-	-	-	-	4,644,758	4,056,494	-	4,056,494
Programming and education	2,216,094	-	2,216,094	-	-	-	-	-	2,216,094	1,685,411	-	1,685,411
Total Program Services	<u>7,193,586</u>	<u>-</u>	<u>7,193,586</u>	<u>3,979,185</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,979,185</u>	<u>11,172,771</u>	<u>6,356,413</u>	<u>6,710,313</u>	<u>13,066,726</u>
Supporting Services												
Management and general	1,688,326	-	1,688,326	-	-	-	-	-	1,688,326	1,693,358	-	1,693,358
Fundraising	2,383,373	-	2,383,373	-	-	-	-	-	2,383,373	1,980,725	-	1,980,725
Campaign for the High Line fundraising	33,700	-	33,700	840,439	-	-	-	840,439	874,139	44,290	507,359	551,649
Total Supporting Services	<u>4,105,399</u>	<u>-</u>	<u>4,105,399</u>	<u>840,439</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>840,439</u>	<u>4,945,838</u>	<u>3,718,373</u>	<u>507,359</u>	<u>4,225,732</u>
Total Expenses	<u>11,298,985</u>	<u>-</u>	<u>11,298,985</u>	<u>4,819,624</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,819,624</u>	<u>16,118,609</u>	<u>10,074,786</u>	<u>7,217,672</u>	<u>17,292,458</u>
Increase (Decrease) in Net Assets Before Non-Operating Transfers	(12,396)	(181,912)	(194,308)	6,145,180	102,063	(4,259,386)	2,007,778	3,995,635	3,801,327	852,818	10,820,160	11,672,978
Transfers to fund Board Designated High Line Fund (\$7,487,834 in 2013)	(2,175,000)	-	(2,175,000)	(3,361,666)	5,536,666	-	-	2,175,000	-	-	-	-
Transfer of property and equipment to operations	454,146	-	454,146	(454,146)	-	-	-	(454,146)	-	-	-	-
Increase (decrease) in unrestricted net assets	(1,733,250)	-	-	2,329,368	5,638,729	-	-	-	-	773,883	11,573,034	12,346,917
Increase (decrease) in temporarily restricted net assets	-	(181,912)	-	-	-	(4,259,386)	-	-	-	78,935	(1,064,207)	(985,272)
Increase in permanently restricted net assets	-	-	-	-	-	-	2,007,778	-	-	-	311,333	311,333
Increase (decrease) in net assets	(1,733,250)	(181,912)	(1,915,162)	2,329,368	5,638,729	(4,259,386)	2,007,778	5,716,489	3,801,327	852,818	10,820,160	11,672,978
Net assets, beginning of year	9,464,708	3,034,740	12,499,448	17,875,493	20,666,471	30,251,988	2,348,343	71,142,295	83,641,743	11,646,630	60,322,135	71,968,765
Net Assets, End of Year	<u>\$ 7,731,458</u>	<u>\$ 2,852,828</u>	<u>\$10,584,286</u>	<u>\$20,204,861</u>	<u>\$26,305,200</u>	<u>\$25,992,602</u>	<u>\$ 4,356,121</u>	<u>\$76,858,784</u>	<u>\$87,443,070</u>	<u>\$12,499,448</u>	<u>\$71,142,295</u>	<u>\$83,641,743</u>

See notes to financial statements.

FRIENDS OF THE HIGH LINE, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2014 WITH COMPARATIVE TOTALS FOR 2013

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 3,801,327	\$11,672,978
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	210,813	123,899
Change in allowance of temporarily restricted pledges to net realizable value:	(1,000,000)	4,500,000
Realized (gain) loss on investments	(426,086)	129,660
Unrealized (gain) loss on investments	390,896	(1,067,255)
Donated securities	(342,796)	(2,709,900)
Endowment contributions	(7,778)	(311,333)
(Increase) decrease in:		
Unconditional promises to give	4,575,987	(2,884,741)
Accounts receivable and other current assets	82,120	41,537
Accrued interest receivable	(13,228)	16,048
Inventory	(23,367)	(66,439)
Security deposits	33,524	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(57,139)	239,492
Construction and renovation costs payable	(796,497)	805,043
Liability under Section 457 Plan	35,511	38,138
Refundable advances	25,000	(200,000)
Refundable deposits payable	(163,097)	165,097
Net Cash Provided By Operating Activities	<u>6,325,190</u>	<u>10,492,224</u>
Cash Flows From Investing Activities		
Endowment contributions received	638,334	688,333
Purchase of investments	(26,653,564)	(25,258,967)
Proceeds from sale of investments	20,802,107	23,568,527
Purchase of property and equipment	(278,547)	(454,553)
Net Cash Used By Investing Activities	<u>(5,491,670)</u>	<u>(1,456,660)</u>
Net increase in cash and cash equivalents	833,520	9,035,564
Cash and cash equivalents, beginning of year	<u>14,594,456</u>	<u>5,558,892</u>
Cash and Cash Equivalents, End of Year	<u><u>\$15,427,976</u></u>	<u><u>\$14,594,456</u></u>

See notes to financial statements.

FRIENDS OF THE HIGH LINE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

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 Friends of the High Line under a license agreement (Note 8).

Founded in 1999 by community residents, Friends of the High Line 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. Friends of the High Line also works to raise private funds to support the park's annual operating budget.

On September 21, 2014, the High Line at the Rail Yards, the third and northernmost section of the historic structure, which runs between West 30th and West 34th Streets, opened to the public.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid instruments, purchased with a maturity of three months or less, such as money market funds and short-term deposits, to be cash equivalents, except for amounts being managed within the investment account.

c - Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-based measurement. Generally accepted accounting principles establish a framework for measuring fair value which maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those the market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset, based on the best information available in the circumstances. Fair value measurements are categorized into three levels as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

FRIENDS OF THE HIGH LINE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

c - Fair Value Measurements (continued)

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 Inputs that are unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

d - Investments

The Organization reflects investments in marketable securities at fair value in the statement of financial position, except for certain limited partnerships and investment funds which are reported at cost. Interest, dividends, and gains and losses on investments are reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Gains and other investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in unrestricted net assets if the restrictions are met in the same fiscal year in which the gains and other investment income are recognized.

Investments are measured at fair value on a recurring basis. Investments with fair values that are based on quoted market prices in active markets are classified within Level 1.

Investments that trade in markets that are not considered to be active, but are valued using other observable inputs are classified within Level 2.

Alternative investments, which do not have readily determinable fair values, are reported based upon the underlying net asset value per share or its equivalent, which is estimated at fair value by the fund manager or general partner in a manner consistent with accounting principles generally accepted in the United States for investment companies. The Organization reviews and evaluates the values provided by the fund managers and general partners and agrees with the valuation methods and assumptions used in determining the net asset values of these investments. These estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed.

FRIENDS OF THE HIGH LINE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

d - Investments (continued)

Most investments classified in Levels 2 and 3 consist of shares or units in investment funds, as opposed to direct interests in those funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund is used as a practical expedient to estimate fair value of the Organization's interest therein, its classification in Level 2 or 3 is based on the Organization's ability to redeem its interest at or near the measurement date. If the interests can be redeemed in the near term, the investment is classified as Level 2. If the interests cannot be redeemed in the near term, the investment is classified as Level 3.

The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

e - Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectable promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

f - Inventory

The Organization's inventory consists primarily of books and apparel and is stated at the lower of cost, as determined by the average cost method, or market.

g - Lease Acquisition Costs

Lease acquisition costs are being amortized on a straight-line basis over the life of the lease.

h - Property and Equipment

Purchased property and equipment acquired are recorded at cost and are depreciated using the straight-line method over the estimated useful life of the related asset. Leasehold improvements are depreciated over the term of the lease. Expenditures paid for the maintenance of or improvements to the High Line are not capitalized due to the Organization's status as a non-owner licensee.

FRIENDS OF THE HIGH LINE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

i - Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

The Organization presents information related to its operations separately from information related to the Campaign for the High Line (the "Campaign"). Operations include the regular, recurring revenues and expenses from managing, maintaining, and providing programming on the High Line. The Campaign includes fundraising for direct costs related to the construction and renovation of the High Line, and to establish endowments (donor-restricted and board designated) to provide for the ongoing operations and maintenance of the High Line.

j - Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

k - Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and the supporting services in reasonable ratios determined by management.

l - Tax Status

Friends of the High Line, Inc. is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. Management evaluated all income tax positions, including the position that the Organization is exempt from income taxes or not subject to income taxes on unrelated business income, and concluded that no disclosures relating to uncertain tax positions are required in the financial statements. The Organization's tax returns are generally subject to examination by taxing authorities for a period of three years from the date of filing.

m - Subsequent Events

The Organization has evaluated subsequent events through April 27, 2015, the date that the financial statements are considered available to be issued.

n - Prior Year Information

For comparability, certain 2013 amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2014.

FRIENDS OF THE HIGH LINE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 2 - Net Assets

a - Unrestricted

Board Designated Operating Reserve

The Organization maintains an operating reserve equal to 50% of its operating, campaign fundraising and campaign planning budgets, excluding direct construction expenses. At December 31, 2014, this reserve totaled \$6,475,843.

Campaign for the High Line

Campaign for the High Line net assets include unrestricted funds raised through a campaign to provide for the direct costs related to the construction and renovation of the High Line, and to establish board designated endowment funds to support the ongoing operations and maintenance of the High Line.

In 2011, the Organization established the Board Designated High Line Fund to sustain the park's long-term maintenance and operations. At December 31, 2014, the balance of this Fund was \$26,305,200.

b - Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following future periods and programs:

	<u>2014</u>	<u>2013</u>
Campaign		
Unconditional promises to give restricted to future periods	\$41,181,683	\$47,392,824
Allowance for uncollectible amounts	(5,000,000)	(6,000,000)
Less: Discount to present value	<u>(10,338,669)</u>	<u>(11,259,673)</u>
	25,843,014	30,133,151
Accumulated investment earnings – permanently restricted endowments	<u>149,588</u>	<u>118,837</u>
Sub-total - Campaign	<u>25,992,602</u>	<u>30,251,988</u>
Programs and Operations		
Art program	67,875	20,000
Horticulture, history and design programs	160,000	85,733
Education and other programs	219,762	37,500
Elevator maintenance	18,750	-
Volunteer programs	4,762	50,000
Future periods	4,274,668	4,525,664
Community outreach and development	<u>-</u>	<u>265,924</u>
	4,745,817	4,984,821
Allowance for uncollectible amounts	(90,000)	(90,000)
Less: Discount to present value	<u>(1,802,989)</u>	<u>(1,860,081)</u>
Sub-total - Programs and Operations	<u>2,852,828</u>	<u>3,034,740</u>
	<u>\$28,845,430</u>	<u>\$33,286,728</u>

FRIENDS OF THE HIGH LINE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 2 - Net Assets (continued)

c - Permanently Restricted Net Assets

Permanently restricted net assets include contributions restricted by the donors for the following endowments:

1. Endowment for Sustainability - to support the operations of the High Line including, but not limited to, horticulture, maintenance, visitor services, public programs, public art commissions, and school and youth programs.	\$1,856,121
2. Horticultural and Stewardship Fund - to support the horticultural care and general maintenance of the public park on the High Line.	<u>2,500,000</u>
	<u>\$4,356,121</u>

Note 3 - Unconditional Promises to Give

Unconditional promises to give are expected to be collected as follows:

	<u>2014</u>	<u>2013</u>
Due in less than one year	\$11,855,120	\$11,548,733
Due in one to five years	6,356,860	12,553,666
Due in six to forty six years	<u>28,873,320</u>	<u>29,173,319</u>
	47,085,300	53,275,718
Less: Discount to net present value	(12,146,536)	(13,130,411)
Less: Valuation allowance	<u>(5,090,000)</u>	<u>(6,090,000)</u>
	<u>\$29,848,764</u>	<u>\$34,055,307</u>

Unconditional promises to give due after one year are reflected at present value of estimated future cash flows using a discount rate of 3%.

FRIENDS OF THE HIGH LINE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 4 - Investments (continued)

The Organization's investments include structured notes, which are debt obligations that contain embedded derivative components with characteristics that adjust the security's risk/return profile. The valuation of a structured note is based on the value of its component parts. These parts will normally have a valuation that can be readily verified by the market prices of the underlying assets.

Net investment income for 2014 and 2013 is summarized as follows:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 600,459	\$ 643,440
Realized gain (loss) on sale of investments	426,086	(129,660)
Unrealized gain (loss) on investments	(390,896)	1,067,255
Investment management fees	<u>(79,518)</u>	<u>(62,867)</u>
Net Investment Income	<u>\$ 556,131</u>	<u>\$1,518,168</u>

The following summarizes changes in fair value of the Organization's Level 3 investments for the years ended December 31:

	<u>2014</u>			
	<u>Total</u>	<u>Hedge Funds</u>	<u>Private Equity Funds</u>	<u>Structured Commodities Notes</u>
Balance, beginning of year	\$4,908,930	\$4,392,762	\$309,548	\$206,620
Purchases	272,842	-	272,842	-
Sales	(238,285)	(198,881)	(39,404)	-
Realized loss	(1,119)	(1,119)	-	-
Unrealized gain (loss)	<u>(13,900)</u>	<u>41,070</u>	<u>38,210</u>	<u>(93,180)</u>
Balance, End of Year	<u>\$4,928,468</u>	<u>\$4,233,832</u>	<u>\$581,196</u>	<u>\$113,440</u>
	<u>2013</u>			
	<u>Total</u>	<u>Hedge Funds</u>	<u>Private Equity Funds</u>	<u>Structured Commodities Notes</u>
Balance, beginning of year	\$2,534,077	\$2,202,757	\$107,110	\$224,210
Purchases	4,468,564	4,060,000	208,564	200,000
Sales	(2,377,823)	(2,125,000)	(23,703)	(229,120)
Realized gain	9,120	-	-	9,120
Unrealized gain	<u>274,992</u>	<u>255,005</u>	<u>17,577</u>	<u>2,410</u>
Balance, End of Year	<u>\$4,908,930</u>	<u>\$4,392,762</u>	<u>\$309,548</u>	<u>\$206,620</u>

FRIENDS OF THE HIGH LINE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 4 - Investments (continued)

At December 31, 2014, cash in transit represented amounts transferred to nine hedge funds for investment as of January 1, 2015. Subsequent to December 31, 2014, the Organization redeemed \$4,245,910 invested in a single hedge fund of funds.

The investments included in the Organization's investment portfolio, valued using the net asset value, are redeemable based on the following terms and conditions as of December 31, 2014:

<i>Hedge Funds</i>	
Quarterly with 95 days' notice, provided that shares being redeemed have been invested for one year	\$4,233,832
<i>Private Equity Funds</i>	
No opportunity for redemption; only distributions made at fund's discretion	<u>581,196</u>
	<u>\$4,815,028</u>

The following are descriptions of the investment strategies of these investments:

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.

Based on information provided by the investment fund manager, management expects that the investment horizon of the nonredeemable private equity fund will be ten years or more.

At December 31, 2014, the Organization had outstanding commitments to invest in private equity funds in the amount of \$1,212,224.

FRIENDS OF THE HIGH LINE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 5 - Property and Equipment

Property and equipment consist of the following at December 31:

	<u>Life</u>	<u>2014</u>	<u>2013</u>
Leasehold improvements	Life of lease	\$ -	\$ 237,409
Computer equipment	3-5 years	62,182	62,182
Equipment and furniture	3-5 years	450,884	481,647
Website	3-5 years	239,400	100,908
Software	3 years	57,793	57,793
High Line machinery and equipment	5 years	<u>223,577</u>	<u>196,358</u>
		1,033,836	1,136,297
Less: Accumulated depreciation		<u>(322,631)</u>	<u>(502,026)</u>
		<u>\$ 711,205</u>	<u>\$ 634,271</u>

Depreciation expense for the years ended December 31, 2014 and 2013 was \$201,613 and \$117,419, respectively.

Note 6 - Donated Services

The Organization received the following donated services and materials:

	<u>2014</u>	<u>2013</u>
Legal fees	\$382,067	\$532,587
Direct benefit and other event expenses	147,600	240,223
Art space rental	40,000	50,000
Professional fees	<u>-</u>	<u>132,000</u>
	<u>\$569,667</u>	<u>\$954,810</u>

Note 7 - Endowment Funds

The Organization's endowment consists of the donor-restricted funds described in Note 2c and the Board Designated High Line Fund. As required by generally accepted accounting principles, net assets associated with endowment funds 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, 2014

Note 7 - Endowment Funds (continued)

Consistent with New York State Not-for-Profit Corporation Law, 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 any 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.

Balances in endowment funds for the years ended December 31, 2014 and 2013 are summarized as follows:

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Board designated endowment	\$26,305,200	\$ -	\$ -	\$26,305,200
Donor-restricted endowment	<u>-</u>	<u>149,588</u>	<u>3,214,000</u>	<u>3,363,588</u>
Endowment Funds, End of Year	<u>\$26,305,200</u>	<u>\$149,588</u>	<u>\$3,214,000</u>	<u>\$29,668,788</u>
	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated endowment	\$20,666,471	\$ -	\$ -	\$20,666,471
Donor-restricted endowment	<u>-</u>	<u>118,837</u>	<u>1,575,666</u>	<u>1,694,503</u>
Endowment Funds, End of Year	<u>\$20,666,471</u>	<u>\$118,837</u>	<u>\$1,575,666</u>	<u>\$22,360,974</u>

In addition to the above invested funds, permanently restricted endowment pledges receivable at December 31, 2014 and 2013 totaled \$1,142,121 and \$772,677, respectively.

Changes in endowment funds for the years ended December 31, 2014 and 2013 are summarized as follows:

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment funds, beginning of year	\$20,666,471	\$118,837	\$ 1,575,666	\$22,360,974
Net investment income	424,676	30,751	-	455,427
Transfer to fund endowment	5,536,666	-	-	5,536,666
Transfer to fund operations	(322,613)	-	-	(322,613)
Contributions	<u>-</u>	<u>-</u>	<u>1,638,334</u>	<u>1,638,334</u>
Endowment Funds, End of Year	<u>\$26,305,200</u>	<u>\$149,588</u>	<u>\$3,214,000</u>	<u>\$29,668,788</u>

FRIENDS OF THE HIGH LINE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 7 - Endowment Funds (continued)

	2013			Total
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Endowment funds, beginning of year	\$11,720,372	\$ 25,668	\$ 554,000	\$12,300,040
Net investment income	1,458,265	93,169	-	1,551,434
Transfer to fund endowment	7,487,834	-	-	7,487,834
Contributions	-	-	1,021,666	1,021,666
Endowment Funds, End of Year	<u>\$20,666,471</u>	<u>\$118,837</u>	<u>\$1,575,666</u>	<u>\$22,360,974</u>

Endowment assets include board-designated funds raised through the Campaign for the High Line and donor-restricted funds that the Organization must hold in perpetuity. Under its endowment investment policy, as approved by the Organization's Finance Committee, endowment assets are invested in a manner that is intended to achieve a favorable long-term portfolio-wide target rate of return of 5% in real terms by taking a balanced approach to investing, while limiting significant exposure to risk. The Organization's investment objectives are to safeguard its assets and preserve the real purchasing power of its assets while earning investment returns that are commensurate with its risk tolerance and sufficient to meet its operational requirements.

The investment instruments that will be utilized to achieve the Organization's investments strategy are a conservatively-managed mix of money market instruments, bonds, stocks, and alternative investments including, but not limited to, commodities, currencies, hedge funds, direct real estate, and private equity funds. In order to preserve its purchasing power the Organization aims to seek returns on its investments that are in excess of the rate of inflation, taking into consideration its spending policy. It seeks to achieve growth in its assets in excess of inflation by emphasizing long-term investment fundamentals in structuring its investments. It also seeks to control risk and reduce the volatility in its portfolio through diversification.

The Organization's spending policy is consistent with its investment objective of achieving real growth in its long-term assets. In order to achieve such long-term growth, the market value used for its spending policy is based on the moving twelve quarter average ending market value of its long-term investments or, until such time as these Funds have been established for twelve quarters, the average ending market value shall be determined using the moving monthly average since inception (July 1, 2011). The spending rate shall be the lesser of the following: (i) actual return of the portfolio, less the Consumer Price Index, (ii) the 10 year treasury yield averaged over the prior quarter plus 100 basis points, and (iii) 6%. In the event that either the real return or the treasury yield plus 100 basis points is negative, the portfolio spend rate shall be 0.0%.

FRIENDS OF THE HIGH LINE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 8 - High Line License Agreements and Campaign Commitments

- a - The Organization manages and maintains the High Line under the terms of a license agreement with the New York City (“City”) Department of Parks and Recreation (“Parks”) that expires on February 23, 2021, unless terminated sooner by Parks, and may be renewed at the discretion of Parks for two successive five year periods. The license agreement also provides for the use and occupancy of a newly constructed maintenance and operations facility, which the Organization moved its staff into in January 2014. The facility is owned by The City of New York, which provides occupancy to the Organization at no cost. The LEED building is situated adjacent to the southern end of the park and is designed to have direct access to the High Line, and to allow access to public restrooms and an elevator, as well as vehicular access for maintenance vehicles. The building includes a number of public functions, including a public elevator, restrooms, and a meeting room that can be used for public programs.

The Organization is responsible for maintaining and repairing the High Line by raising funds from private sources to support more than 95% of the public park’s annual budget for staffing and day-to-day maintenance and operations, and for conducting public programming and outreach to cultivate a community around the park. The City of New York is responsible for maintaining the steel and concrete bridge structure, for any repairs arising from structural defects or from defects in construction of the High Line, and for providing security and utilities for the High Line. In 2014, the Organization was responsible for 10% of the cost of security staff. The obligation increases to 40% for 2015. In 2016, the Organization will be responsible for the full cost of approximately \$300,000 per annum.

Beginning January 2014, and for the term of the agreement, the Organization must spend annually a minimum of \$4 million (the “Base Amount”) with respect to maintenance, repairs, programming, landscaping, and the renovation and rehabilitation of the facilities on the High Line. Beginning in 2018, the Base Amount will increase annually by the greater of 2.5% or the change in the Consumer Price Index (“CPI”) from the previous twelve-month period ending October 31, up to a maximum of 4%.

The Organization is required to account for separately all revenues derived from activities on the High Line, including horticulture, education, athletic, maintenance, recreation, tours, food, products, programs and concerts, which are required to be expended solely for operating, managing, maintaining and improving the High Line. As more fully described in the agreement, the Organization is also subject to various reporting and other requirements.

FRIENDS OF THE HIGH LINE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 8 - High Line License Agreements and Campaign Commitments (continued)

- b - In December 2013, the Organization amended its February 2011 license agreement with Parks for the operation and maintenance of food and beverage concessions at High Line locations. The license agreement has a ten-year term, renewable for a subsequent ten-year term, and provides for earlier termination in the event of termination of the license agreement for the maintenance and operation of the High Line (Note 8a). Under the agreement, the Organization is permitted to operate cafes or other food service establishments, and to enter into sublicense agreements for their operation under a transparent competition process. The agreement also permits the Organization to hold or license a limited number of special events on the High Line. Should annual revenues derived from food and beverage concessions, the sale of merchandise, and special events exceed High Line operation and maintenance costs, such excess revenue shall be paid to the City to fund its operation and maintenance obligations.

Per the original license agreement, the Organization was required to pay the City a portion of total revenues for 2013, totaling \$33,230. No amount was due for 2014 per the terms of the amended agreement.

- c - Under its concession agreement with Parks (Note 8b), the Organization was responsible for the costs of constructing the core and shell of a restaurant at Gansevoort Plaza. Construction was completed in 2014, with costs totaling \$3.9 million.

The Organization entered into a sublicense agreement with a company (the "Operator") to fit out, furnish, operate, maintain and manage the restaurant and outdoor seating area. The sublicense term is for ten years, which commenced in May 2014, and has a renewal option for an additional five year period. The agreement provides for an annual sublicense fee, based on a percentage of the Operator's gross receipts, subject to a fixed dollar minimum of \$500,000, increased annually by 3%. The restaurant opened to the public in January of 2015.

- d - Capital funding allocations and commitments of approximately \$112,200,000 from the City of New York, \$20,700,000 from Federal sources, \$200,000 from New York State, and \$6,889,000 from private developer contributions, totaling \$139,989,000, have been made towards the total estimated project cost of Sections 1 and 2 of \$153,000,000. These amounts are not included in the Organization's net assets because they directly funded the construction costs and are not the Organization's assets.

FRIENDS OF THE HIGH LINE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 8 - High Line License Agreements and Campaign Commitments (continued)

- e - The total cost of Phases 1 and 2 of the construction of Section 3 of the High Line is estimated to be \$66 - \$75 million. Friends of the High Line has committed to raise \$25 - \$35 million in funding from private philanthropic contributions as part of its Campaign for the High Line. The City of New York has dedicated a total of \$11 million in funding. As part of the development of Hudson Yards, Related Companies and Oxford Properties Group contributed \$29.2 million in funding toward the construction of the High Line at the Rail Yards, as well as additional funding for the park's ongoing maintenance. The amounts from the City and the Related Companies amounts are not included in the Organization's net assets because they directly fund the construction costs which are not the Organization's assets. Phases 1 and 2 are expected to be completed during 2016. Phase 3 of the construction of Section 3 will be a future project, the timing and scope of which have not yet been determined.

Note 9 - Concentrations

- a - The Organization maintains its cash and cash equivalents at one financial institution located in New York, New York.
- b - In 2014, the Organization received approximately 55% of its contributions for the Campaign for the High Line from four donors. In 2013, the Organization received approximately 68% of its contributions for the Campaign for the High Line from three donors.

At December 31, 2014 and 2013, approximately 61% and 58%, respectively, of unconditional promises to give for the Campaign for the High Line represent amounts due from two donors.

Note 10 - Commitments

- a - The Organization was obligated under the terms of a sublease for the rental of office space through January 31, 2015, requiring monthly base rent and its proportionate share of real estate taxes. The Organization's obligation under this sublease for January 2015 was \$9,786.

Rent expense for the years ended December 31, 2014 and 2013 was \$136,251 and \$171,868, respectively.

FRIENDS OF THE HIGH LINE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 10 - Commitments (continued)

- b - During 2012, the Organization established a deferred compensation (under Section 457(b) of the Internal Revenue Code) plan for certain eligible employees. The assets of this plan remain the property of the Organization until distributed to the employee or their beneficiary at retirement or severance from employment. Total expense under this plan for the years ended December 31, 2014 and 2013 was \$34,500 and \$35,000, respectively. As of December 31, assets of \$107,649 (2014) and \$72,138 (2013) are included in the Organization's investments, and a liability in the same amount is included in the accompanying statement of financial position.
- c - The Organization maintains a defined contribution pension plan for all eligible employees, who may elect to make voluntary contributions. The Organization does not contribute to this plan.
- d - The Organization is involved in various claims and legal actions arising in the ordinary course of business. Management believes that the ultimate disposition of these matters will not have a material adverse effect on the Organization's financial condition. The City and Parks have agreed to indemnify and hold harmless the Organization from and against any and all liabilities, obligations, damages and expenses arising from maintenance obligations and other activities conducted on the High Line or the maintenance and operations facility.

Note 11 - Related Party Transaction

During the years ended December 31, 2014 and 2013, the Organization paid \$392,300 and \$329,572, respectively, to a company owned by a Board member for rentals and expenses related to special events.

SUPPLEMENTARY INFORMATION



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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

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

We have audited the financial statements of Friends of the High Line, Inc. as of and for the year ended December 31, 2014, and our report thereon dated April 27, 2015, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses for the year ended December 31, 2014 with comparative totals for 2013 is presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lutz + Carr, LLP

New York, New York
April 27, 2015

FRIENDS OF THE HIGH LINE, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014 WITH COMPARATIVE TOTALS FOR 2013

	Program Services			Supporting Services			2014	2013
	High Line Planning and Construction	High Line Operations	Programming and Education	Management and General	Fundraising	Campaign for the High Line	Total Expenses	Total Expenses
Salaries, payroll taxes and employee benefits	\$ 729,525	\$3,177,541	\$ 1,049,536	\$ 975,112	\$ 1,342,520	\$576,166	\$ 7,850,400	\$ 6,570,002
Professional fees and consulting (Note 6)	207,186	242,283	132,491	192,950	314,992	77,145	1,167,047	1,427,892
Legal fees (Note 6)	-	82,218	36,822	262,629	25,943	-	407,612	580,786
Audit and accounting fees	-	-	-	41,420	-	-	41,420	51,379
Contract labor, stipends and honoraria	1,403	17,262	40,142	3,041	5,470	702	68,020	64,568
High Line direct costs - construction, renovations and maintenance	3,322,854	-	-	-	-	-	3,322,854	6,072,530
Printing and publications	3,340	100,986	64,491	7,034	248,697	12,304	436,852	281,770
Postage and shipping	3,030	59,151	53,925	4,234	87,471	2,451	210,262	177,448
Repairs, maintenance and equipment rental	1,839	335,509	14,880	3,791	13,248	30,325	399,592	238,724
Security	-	30,783	-	-	3,197	2,433	36,413	5,107
NYC Parks concessions share	-	682	-	-	-	-	682	32,548
Other expenses	93	2,273	7,368	19,566	2,725	34,757	66,782	62,045
Occupancy	8,715	101,974	37,373	17,982	37,729	5,710	209,483	255,073
Art production (Note 6)	-	-	427,260	-	-	-	427,260	304,094
Supplies	8,494	232,384	98,597	22,257	73,520	12,641	447,893	279,752
Travel and meetings	3,693	18,696	17,451	15,275	8,118	5,749	68,982	75,252
Catering and other event expenses (Note 6)	-	14,853	135,597	58,916	103,464	88,946	401,776	378,345
Insurance	3,571	32,176	27,188	7,738	13,792	5,835	90,300	102,867
Telephone and internet	4,581	49,723	17,362	9,926	16,035	2,291	99,918	61,948
Licenses, permits and fees	-	12,656	2,986	4,100	-	9,700	29,442	32,637
Credit card and other processing fees	946	36,004	4,132	6,918	42,046	660	90,706	93,837
Staff development and certifications	-	21,712	4,222	8,031	135	-	34,100	19,955
Total expenses before depreciation and amortization	4,299,270	4,568,866	2,171,823	1,660,920	2,339,102	867,815	15,907,796	17,168,559
Depreciation and amortization	12,649	75,892	44,271	27,406	44,271	6,324	210,813	123,899
Total Expenses, 2014	<u>\$ 4,311,919</u>	<u>\$4,644,758</u>	<u>\$ 2,216,094</u>	<u>\$ 1,688,326</u>	<u>\$ 2,383,373</u>	<u>\$874,139</u>	<u>\$16,118,609</u>	
Total Expenses, 2013	<u>\$ 7,324,821</u>	<u>\$4,056,494</u>	<u>\$ 1,685,411</u>	<u>\$ 1,693,358</u>	<u>\$ 1,980,725</u>	<u>\$551,649</u>		<u>\$17,292,458</u>

See independent auditors' report on supplementary information.