

EMERALD NECKLACE CONSERVANCY, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2017 AND 2016

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

80 Flanders Road, Suite 200  Westborough, Massachusetts 01581
Tel: 508.871.7178 Fax: 508.871.7179 www.ssbcpa.com

EMERALD NECKLACE CONSERVANCY, INC.

REPORT ON FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2017 AND 2016



Mission Statement

To improve and maintain the Emerald Necklace parks for all.

EMERALD NECKLACE CONSERVANCY, INC.
REPORT ON FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

C O N T E N T S

	<i>Pages</i>
Independent Auditors' Report.....	1
Statement of Financial Position as of September 30, 2017.....	2
Statement of Financial Position as of September 30, 2016.....	3
Statement of Activities for the Year Ended September 30, 2017.....	4
Statement of Activities for the Year Ended September 30, 2016.....	5
Statement of Functional Expenses for the Year Ended September 30, 2017.....	6 - 7
Statement of Functional Expenses for the Year Ended September 30, 2016.....	8 - 9
Statements of Cash Flows for the Years Ended September 30, 2017 and 2016.....	10
Notes to Financial Statements.....	11 - 26



80 Flanders Road, Suite 200 Westborough, Massachusetts 01581
Tel: 508.871.7178 Fax: 508.871.7179 www.ssbcpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Emerald Necklace Conservancy, Inc.
Boston, Massachusetts

We have audited the accompanying financial statements of Emerald Necklace Conservancy, Inc. (a Massachusetts nonprofit organization), which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities, functional expenses 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.

Auditors' 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 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 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 Emerald Necklace Conservancy, Inc. as of September 30, 2017 and 2016 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Smith, Sullivan & Brown, PC

Westborough, Massachusetts
February 13, 2018

EMERALD NECKLACE CONSERVANCY, INC.

STATEMENT OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2017

<u>ASSETS</u>	<u>GENERAL PROGRAMS/ OPERATIONS</u>	<u>SHATTUCK VISITOR CENTER</u>	<u>LIFF FUND</u>	<u>OLMSTED TREE SOCIETY</u>	<u>TOTAL</u>
<u>CURRENT ASSETS:</u>					
Cash	\$ 57,945	\$ -	\$ 120,664	\$ 263,190	\$ 441,799
Pledges Receivable	33,333	-	-	-	33,333
Prepaid Expenses	6,991	-	-	-	6,991
Short-Term Investments	5,090	-	-	-	5,090
Total Current Assets	<u>103,359</u>	<u>-</u>	<u>120,664</u>	<u>263,190</u>	<u>487,213</u>
<u>NET PROPERTY AND EQUIPMENT</u>	<u>-</u>	<u>753,829</u>	<u>-</u>	<u>-</u>	<u>753,829</u>
<u>NON-CURRENT ASSETS:</u>					
Pledges Receivable, Non-Current	33,334	-	-	-	33,334
Long-Term Investments	-	-	2,571,233	893,246	3,464,479
Shattuck Endowment Investments	-	707,266	-	-	707,266
Total Non-Current Assets	<u>33,334</u>	<u>707,266</u>	<u>2,571,233</u>	<u>893,246</u>	<u>4,205,079</u>
<u>TOTAL ASSETS</u>	<u>\$ 136,693</u>	<u>\$ 1,461,095</u>	<u>\$ 2,691,897</u>	<u>\$ 1,156,436</u>	<u>\$ 5,446,121</u>
<u>LIABILITIES AND NET ASSETS</u>					
<u>CURRENT LIABILITIES:</u>					
Accounts Payable and Accrued Expenses	\$ 56,076	\$ -	\$ 4,958	\$ 29,945	\$ 90,979
Accrued Payroll and Related Costs	28,464	-	-	-	28,464
Total Current Liabilities	<u>84,540</u>	<u>-</u>	<u>4,958</u>	<u>29,945</u>	<u>119,443</u>
<u>NON-CURRENT LIABILITIES:</u>					
Contractual Commitments	-	-	-	48,750	48,750
Total Non-Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,750</u>	<u>48,750</u>
<u>TOTAL LIABILITIES</u>	<u>84,540</u>	<u>-</u>	<u>4,958</u>	<u>78,695</u>	<u>168,193</u>
<u>NET ASSETS:</u>					
Unrestricted Net Assets:					
Undesignated	(74,732)	166,248	-	-	91,516
Board Designated Liff Fund	-	-	2,686,939	-	2,686,939
Total Unrestricted Net Assets	<u>(74,732)</u>	<u>166,248</u>	<u>2,686,939</u>	<u>-</u>	<u>2,778,455</u>
Temporarily Restricted Net Assets	126,885	769,117	-	1,077,741	1,973,743
Permanently Restricted Net Assets	-	525,730	-	-	525,730
Total Net Assets	<u>52,153</u>	<u>1,461,095</u>	<u>2,686,939</u>	<u>1,077,741</u>	<u>5,277,928</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 136,693</u>	<u>\$ 1,461,095</u>	<u>\$ 2,691,897</u>	<u>\$ 1,156,436</u>	<u>\$ 5,446,121</u>

EMERALD NECKLACE CONSERVANCY, INC.

STATEMENT OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2016

<u>ASSETS</u>	<u>GENERAL PROGRAMS/ OPERATIONS</u>	<u>SHATTUCK VISITOR CENTER</u>	<u>LIFF FUND</u>	<u>OLMSTED TREE SOCIETY</u>	<u>TOTAL</u>
<u>CURRENT ASSETS:</u>					
Cash	\$ 177,135	\$ -	\$ 92,848	\$ 261,988	\$ 531,971
Pledges Receivable	20,000	-	22,475	-	42,475
Prepaid Expenses	40,782	-	-	-	40,782
Short-Term Investments	4,120	-	-	-	4,120
Total Current Assets	<u>242,037</u>	<u>-</u>	<u>115,323</u>	<u>261,988</u>	<u>619,348</u>
<u>NET PROPERTY AND EQUIPMENT</u>	<u>-</u>	<u>776,502</u>	<u>-</u>	<u>-</u>	<u>776,502</u>
<u>NON-CURRENT ASSETS:</u>					
Long-Term Investments	-	-	2,361,052	813,338	3,174,390
Shattuck Endowment Investments	-	654,375	-	-	654,375
Total Non-Current Assets	<u>-</u>	<u>654,375</u>	<u>2,361,052</u>	<u>813,338</u>	<u>3,828,765</u>
<u>TOTAL ASSETS</u>	<u>\$ 242,037</u>	<u>\$ 1,430,877</u>	<u>\$ 2,476,375</u>	<u>\$ 1,075,326</u>	<u>\$ 5,224,615</u>
<u>LIABILITIES AND NET ASSETS</u>					
<u>CURRENT LIABILITIES:</u>					
Accounts Payable and Accrued Expenses	\$ 38,199	\$ -	\$ -	\$ 38,630	\$ 76,829
Accrued Payroll and Related Costs	38,262	-	-	-	38,262
Deferred Revenue	5,700	-	-	-	5,700
Total Current Liabilities	<u>82,161</u>	<u>-</u>	<u>-</u>	<u>38,630</u>	<u>120,791</u>
<u>NON-CURRENT LIABILITIES:</u>					
Contractual Commitments	-	-	-	48,750	48,750
Total Non-Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,750</u>	<u>48,750</u>
<u>TOTAL LIABILITIES</u>	<u>82,161</u>	<u>-</u>	<u>-</u>	<u>87,380</u>	<u>169,541</u>
<u>NET ASSETS:</u>					
Unrestricted Net Assets:					
Undesignated	122,826	171,250	-	-	294,076
Board Designated Liff Fund	-	-	2,476,375	-	2,476,375
Total Unrestricted Net Assets	122,826	171,250	2,476,375	-	2,770,451
Temporarily Restricted Net Assets	37,050	733,897	-	987,946	1,758,893
Permanently Restricted Net Assets	-	525,730	-	-	525,730
Total Net Assets	<u>159,876</u>	<u>1,430,877</u>	<u>2,476,375</u>	<u>987,946</u>	<u>5,055,074</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 242,037</u>	<u>\$ 1,430,877</u>	<u>\$ 2,476,375</u>	<u>\$ 1,075,326</u>	<u>\$ 5,224,615</u>

EMERALD NECKLACE CONSERVANCY, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>UNDESIGNATED</u>	<u>BOARD DESIGNATED LIFE FUND</u>	<u>TOTAL UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL ACTIVITIES</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>						
<i>Public Support and Other Revenues:</i>						
Gifts, Grants and Contributions	\$ 656,897	\$ 24,986	\$ 681,883	\$ 300,228	\$ -	\$ 982,111
Special Event Proceeds (Note 9)	59,825	175,000	234,825	766,188	-	1,001,013
Less: Cost of Direct Benefits to Donors	(32,750)	-	(32,750)	(421,694)	-	(454,444)
<i>Other Revenues:</i>						
Fiscally Sponsored Projects	-	-	-	44,250	-	44,250
Investment Return	248	210,578	210,826	126,541	-	337,367
<i>Reclassification of Net Assets:</i>						
Net Assets Released from Restrictions	800,663	(200,000)	600,663	(600,663)	-	-
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>1,484,883</u>	<u>210,564</u>	<u>1,695,447</u>	<u>214,850</u>	<u>-</u>	<u>1,910,297</u>
<u>EXPENSES:</u>						
Program Services	1,060,384	-	1,060,384	-	-	1,060,384
Administrative	149,793	-	149,793	-	-	149,793
Fund Raising	477,266	-	477,266	-	-	477,266
<u>TOTAL EXPENSES</u>	<u>1,687,443</u>	<u>-</u>	<u>1,687,443</u>	<u>-</u>	<u>-</u>	<u>1,687,443</u>
<u>CHANGE IN NET ASSETS</u>	<u>(202,560)</u>	<u>210,564</u>	<u>8,004</u>	<u>214,850</u>	<u>-</u>	<u>222,854</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>294,076</u>	<u>2,476,375</u>	<u>2,770,451</u>	<u>1,758,893</u>	<u>525,730</u>	<u>5,055,074</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 91,516</u>	<u>\$ 2,686,939</u>	<u>\$ 2,778,455</u>	<u>\$ 1,973,743</u>	<u>\$ 525,730</u>	<u>\$ 5,277,928</u>

EMERALD NECKLACE CONSERVANCY, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>UNDESIGNATED</u>	<u>BOARD DESIGNATED LIFF FUND</u>	<u>TOTAL UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL ACTIVITIES</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>						
<i>Public Support and Other Revenues:</i>						
Gifts, Grants and Contributions	\$ 659,747	\$ 2,198	\$ 661,945	\$ 429,943	\$ -	\$ 1,091,888
Special Event Proceeds (Note 9)	-	200,000	200,000	633,363	-	833,363
Less: Cost of Direct Benefits to Donors	-	-	-	(416,832)	-	(416,832)
<i>Other Revenues:</i>						
Investment Return	204	172,732	172,936	110,597	-	283,533
Donated Goods and Services	21,223	-	21,223	-	-	21,223
<i>Reclassification of Net Assets:</i>						
Net Assets Released from Restrictions	889,008	(175,000)	714,008	(714,008)	-	-
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>1,570,182</u>	<u>199,930</u>	<u>1,770,112</u>	<u>43,063</u>	<u>-</u>	<u>1,813,175</u>
<u>EXPENSES:</u>						
Program Services	1,001,643	-	1,001,643	-	-	1,001,643
Administrative	254,933	-	254,933	-	-	254,933
Fund Raising	320,792	-	320,792	-	-	320,792
<u>TOTAL EXPENSES</u>	<u>1,577,368</u>	<u>-</u>	<u>1,577,368</u>	<u>-</u>	<u>-</u>	<u>1,577,368</u>
<u>CHANGE IN NET ASSETS</u>	<u>(7,186)</u>	<u>199,930</u>	<u>192,744</u>	<u>43,063</u>	<u>-</u>	<u>235,807</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>301,262</u>	<u>2,276,445</u>	<u>2,577,707</u>	<u>1,715,830</u>	<u>525,730</u>	<u>4,819,267</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 294,076</u>	<u>\$ 2,476,375</u>	<u>\$ 2,770,451</u>	<u>\$ 1,758,893</u>	<u>\$ 525,730</u>	<u>\$ 5,055,074</u>

EMERALD NECKLACE CONSERVANCY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

(Page 1 of 2)

	<u>TOTAL</u> <u>PROGRAM</u> <u>EXPENSES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUNDRAISING</u>			<u>TOTAL</u> <u>FUNCTIONAL</u> <u>EXPENSES</u>
			<u>GENERAL</u>	<u>EVENTS</u>	<u>TOTAL FUND</u> <u>RAISING</u>	
Salaries and Wages	\$ 387,923	\$ 64,793	\$ 215,051	\$ 68,326	\$ 283,377	\$ 736,093
Payroll Taxes	30,896	5,160	17,127	5,442	22,569	58,625
Employee Benefits	17,773	2,969	9,853	3,130	12,983	33,725
Youth Program Wages	29,929	-	-	-	-	29,929
Insurance	-	18,514	-	-	-	18,514
Products and Sales	862	-	1,511	-	1,511	2,373
Maintenance and Repairs	660	148	394	153	547	1,355
Consultants and Professional Fees	139,640	2,788	41,641	-	41,641	184,069
Forestry/Arborist/Horticulture Fees	172,207	-	-	-	-	172,207
Plantings	209,690	-	-	-	-	209,690
Program Materials and Event Expenses	7,186	520	415	11,278	11,693	19,399
Printing and Postage	6,472	3,290	16,990	1,853	18,843	28,605
Utilities	3,785	851	2,260	878	3,138	7,774
Depreciation and Amortization	11,038	2,483	6,592	2,560	9,152	22,673
Telephone	1,936	435	1,156	449	1,605	3,976
Dues, Subscriptions and Fees	896	1,616	45	-	45	2,557
Minor Equipment Purchases and Rentals	2,230	3,799	223	-	223	6,252
Staff Travel and Mileage	6,128	3,458	576	726	1,302	10,888
Meetings and Conferences	3,912	1,568	8,124	-	8,124	13,604
Accounting and Auditing Fees	-	15,519	-	-	-	15,519
Office Supplies	430	2,104	408	-	408	2,942
Computer Expense	1,774	10,171	-	-	-	11,945
Staff Recruitment and Development	18,365	244	42,564	120	42,684	61,293
Advertising	6,480	-	1,734	31	1,765	8,245
Miscellaneous Expenses	172	9,363	614	15,042	15,656	25,191
Total Expenses Per Statement of Activities	1,060,384	149,793	367,278	109,988	477,266	1,687,443
Costs of Direct Benefits to Donors	-	-	-	454,444	454,444	454,444
Total Functional Expenses	\$ 1,060,384	\$ 149,793	\$ 367,278	\$ 564,432	\$ 931,710	\$ 2,141,887

EMERALD NECKLACE CONSERVANCY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

(Page 2 of 2)

	PROGRAMS							TOTAL PROGRAM EXPENSES
	<u>EDUCATION AND VISITOR SERVICES</u>	<u>COMMUNITY PROGRAMS</u>	<u>YOUTH PROGRAMS</u>	<u>MAINT. COLLA- BORATIVE</u>	<u>MAINT./ RESTORATION/ PRESERVATION</u>	<u>PARK OVERSEERS</u>	<u>OLMSTED TREE SOCIETY</u>	
Salaries and Wages	\$ 99,630	\$ 8,076	\$ 97,200	\$ 74,116	\$ 28,973	\$ 48,121	\$ 31,807	\$ 387,923
Payroll Taxes	7,935	643	7,741	5,903	2,308	3,833	2,533	30,896
Employee Benefits	4,565	370	4,453	3,396	1,327	2,205	1,457	17,773
Youth Program Wages	-	-	29,929	-	-	-	-	29,929
Insurance	-	-	-	-	-	-	-	-
Products and Sales	-	-	862	-	-	-	-	862
Maintenance and Repairs	226	30	112	93	35	80	84	660
Consultants and Professional Fees	1,579	11,205	909	2,144	24,111	237	99,455	139,640
Forestry/Arborist/Horticulture Fees	-	-	-	-	137,482	-	34,725	172,207
Plantings	-	-	-	69	2,532	-	207,089	209,690
Program Materials and								
Event Expenses	424	858	1,395	1,917	52	2,160	380	7,186
Printing and Postage	3,339	2,335	41	73	684	-	-	6,472
Utilities	1,300	169	640	532	203	461	480	3,785
Depreciation and Amortization	3,790	494	1,867	1,550	593	1,343	1,401	11,038
Telephone	665	87	327	272	104	235	246	1,936
Dues and Subscriptions	557	-	-	-	339	-	-	896
Minor Equipment Purchases and Rentals	55	180	487	571	937	-	-	2,230
Staff Travel and Mileage	564	83	4,151	743	257	296	34	6,128
Meetings and Conferences	615	29	1,759	279	486	449	295	3,912
Accounting and Auditing Fees	-	-	-	-	-	-	-	-
Office Supplies	131	-	162	5	121	11	-	430
Computer Expense	650	-	-	-	1,124	-	-	1,774
Staff Recruitment								
and Development	476	453	1,153	16,283	-	-	-	18,365
Advertising	1,531	1,011	-	-	-	-	3,938	6,480
Miscellaneous Expenses	26	135	-	-	-	-	11	172
Total Functional Expenses	\$ 128,058	\$ 26,158	\$ 153,188	\$ 107,946	\$ 201,668	\$ 59,431	\$ 383,935	\$ 1,060,384

The Accompanying Notes are an Integral Part of these Financial Statements....Page 7

EMERALD NECKLACE CONSERVANCY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(Page 1 of 2)

	<u>TOTAL</u> <u>PROGRAM</u> <u>EXPENSES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUNDRAISING</u>			<u>TOTAL</u> <u>FUNCTIONAL</u> <u>EXPENSES</u>
			<u>GENERAL</u>	<u>EVENTS</u>	<u>TOTAL FUND</u> <u>RAISING</u>	
Salaries and Wages	\$ 332,316	\$ 67,278	\$ 155,935	\$ 68,931	\$ 224,866	\$ 624,460
Payroll Taxes	28,606	8,372	13,268	5,872	19,140	56,118
Employee Benefits	21,355	4,570	4,874	3,250	8,124	34,049
Youth Program Wages	34,926	-	-	-	-	34,926
Insurance	2,679	8,861	-	-	-	11,540
Products and Sales	1,245	-	-	-	-	1,245
Maintenance and Repairs	902	203	538	209	747	1,852
Consultants and Professional Fees	176,968	30,402	7,156	2,050	9,206	216,576
Forestry/Arborist/Horticulture Fees	105,945	-	-	-	-	105,945
Plantings	195,000	-	-	-	-	195,000
Program Materials and Event Expenses	16,565	3,182	1,341	8,675	10,016	29,763
Printing and Postage	20,370	1,716	12,997	2,299	15,296	37,382
Utilities	4,406	991	2,631	1,022	3,653	9,050
Depreciation and Amortization	11,038	2,483	6,592	2,560	9,152	22,673
Telephone	2,044	460	1,221	474	1,695	4,199
Dues, Subscriptions and Fees	542	1,410	330	-	330	2,282
Minor Equipment Purchases and Rentals	4,213	6,202	1,328	-	1,328	11,743
Staff Travel and Mileage	4,006	1,134	52	15	67	5,207
Meetings and Conferences	6,893	6,486	762	-	762	14,141
Accounting and Auditing Fees	-	15,519	-	-	-	15,519
Office Supplies	370	2,157	59	-	59	2,586
Computer Expense	3,723	12,379	2,300	-	2,300	18,402
Staff Recruitment and Development	18,504	79,190	307	-	307	98,001
Advertising	8,738	454	2,594	-	2,594	11,786
Miscellaneous Expenses	289	1,484	370	10,780	11,150	12,923
Total Expenses Per Statement of Activities	1,001,643	254,933	214,655	106,137	320,792	1,577,368
Cost of Direct Benefits to Donors	-	-	-	416,832	416,832	416,832
Total Functional Expenses	\$ 1,001,643	\$ 254,933	\$ 214,655	\$ 522,969	\$ 737,624	\$ 1,994,200

EMERALD NECKLACE CONSERVANCY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(Page 2 of 2)

	PROGRAMS							TOTAL PROGRAM EXPENSES
	<u>EDUCATION AND VISITOR SERVICES</u>	<u>COMMUNITY PROGRAMS</u>	<u>YOUTH PROGRAMS</u>	<u>MAINT. COLLA- BORATIVE</u>	<u>MAINT./ RESTORATION/ PRESERVATION</u>	<u>PARK OVERSEERS</u>	<u>OLMSTED TREE SOCIETY</u>	
Salaries and Wages	\$ 95,862	\$ 5,707	\$ 74,718	\$ 8,966	\$ 77,750	\$ 34,100	\$ 35,213	\$ 332,316
Payroll Taxes	8,143	484	6,706	817	6,561	2,886	3,009	28,606
Employee Benefits	6,160	368	4,801	576	4,996	2,191	2,263	21,355
Youth Program Wages	-	-	34,926	-	-	-	-	34,926
Insurance	-	-	2,679	-	-	-	-	2,679
Products and Sales	263	-	559	-	-	423	-	1,245
Maintenance and Repairs	310	40	153	127	48	110	114	902
Consultants and Professional Fees	11,354	11,554	1,233	421	13,700	-	138,706	176,968
Forestry/Arborist/Horticulture Fees	-	-	-	-	-	-	105,945	105,945
Plantings	-	-	-	-	-	-	195,000	195,000
Program Materials and Event Expenses	1,042	9,087	3,079	1,271	-	1,913	173	16,565
Printing and Postage	11,691	7,419	103	-	465	-	692	20,370
Utilities	1,513	197	745	619	237	536	559	4,406
Depreciation and Amortization	3,790	494	1,867	1,550	593	1,343	1,401	11,038
Telephone	702	91	346	287	110	249	259	2,044
Dues and Subscriptions	332	160	-	-	-	-	50	542
Minor Equipment Purchases and Rentals	-	900	2,762	551	-	-	-	4,213
Staff Travel and Mileage	319	998	2,259	182	14	-	234	4,006
Meetings and Conferences	332	2,257	1,159	1,855	205	611	474	6,893
Accounting and Auditing Fees	-	-	-	-	-	-	-	-
Office Supplies	146	40	47	7	105	4	21	370
Computer Expense	1,177	-	2,046	106	394	-	-	3,723
Staff Recruitment and Development	-	-	565	17,781	100	58	-	18,504
Advertising	6,833	1,476	-	364	-	-	65	8,738
Miscellaneous Expenses	-	231	23	13	-	-	22	289
Total Functional Expenses	\$ 149,969	\$ 41,503	\$ 140,776	\$ 35,493	\$ 105,278	\$ 44,424	\$ 484,200	\$ 1,001,643

EMERALD NECKLACE CONSERVANCY, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ <u>222,854</u>	\$ <u>235,807</u>
<i>Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:</i>		
Depreciation and Amortization	22,673	22,673
Investment Return	(337,367)	(283,533)
<i>(Increase) Decrease in Current Assets:</i>		
Pledges Receivable	9,142	34,414
Prepaid Expenses	33,791	(16,558)
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	14,150	42,747
Accrued Payroll and Related Costs	(9,798)	14,056
Deferred Revenue	(5,700)	(6,750)
<i>(Increase) Decrease in Non-Current Assets:</i>		
Pledges Receivable	(33,334)	10,000
<i>Increase (Decrease) in Non-Current Liabilities:</i>		
Contractual Commitments	<u>-</u>	<u>48,750</u>
Net Adjustment	<u>(306,443)</u>	<u>(134,201)</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>(83,589)</u>	<u>101,606</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Net Investment Purchases	(977,927)	(1,115,114)
Net Proceeds from Sales of Investments	<u>971,344</u>	<u>1,196,641</u>
Net Cash Flows from Investing Activities	<u>(6,583)</u>	<u>81,527</u>
<u>NET INCREASE (DECREASE) IN CASH BALANCES</u>	<u>(90,172)</u>	<u>183,133</u>
<u>CASH BALANCES - BEGINNING OF YEAR</u>	<u>531,971</u>	<u>348,838</u>
<u>CASH BALANCES - END OF YEAR</u>	<u>\$ 441,799</u>	<u>\$ 531,971</u>

EMERALD NECKLACE CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

NOTE 1 ORGANIZATION

Emerald Necklace Conservancy, Inc. (“Emerald Necklace”, “the Conservancy” or the “Organization”) was founded in 1997 and later incorporated under the provisions of Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt, not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code (“IRC”). Emerald Necklace Conservancy, Inc. has been classified as an organization which is not a private foundation under IRC Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes.

NOTE 2 PROGRAM SERVICES

The Emerald Necklace Conservancy connects people and parks and conserves the Emerald Necklace through projects and programs to enrich the visitor experience and restore and renew the landscape, waterways and parkways.

The Emerald Necklace Conservancy represents the Emerald Necklace, Boston’s largest park system, and is responsible for maintenance and capital restoration projects in the parks, environmental education, visitor services and free cultural events. The Emerald Necklace is a 7-mile, 1,100 acre linear park stretching from Beacon Hill to Dorchester featuring parkways and 6 parks designed by Frederick Law Olmsted. The Conservancy concentrates its work in the Back Bay Fens, Riverway, Olmsted Park, Jamaica Pond Park and Franklin Park as well as the 3 parkways: Riverway, Jamaicaaway and Arborway.

The Emerald Necklace Conservancy was incorporated in 1998 with the mission to restore and improve the Emerald Necklace for all. The Conservancy collaborates with the City of Boston, Town of Brookline, and Commonwealth of Massachusetts, and is the only organization that brings together the Necklace’s residential neighbors, community and business leaders, park advocates, and government officials to work for the renewal of this historic park system. The Conservancy undertakes maintenance and capital restoration projects, free cultural events, visitor services and environmental education in the parks.

The Conservancy’s business model is to operate with a small staff (8 full-time and 2 part-time) and to coordinate a robust and diverse volunteer corps, now numbering over 1,000 people, working on parks projects, events, fundraising, public education and outreach efforts. Conservancy volunteers and program participants contribute over 13,000 hours annually on projects dedicated to park restoration and maintenance; events for youth, visitors, residents and volunteers; public education; constituency-building; and park advocacy.

The all-volunteer Board of Directors, with 25 current members, includes Advancement, Audit, Development, Executive, Finance, Governance, Investment, Personnel, Liff Fund, Planning and Project Review, and the 20th Anniversary Committees. The board meets quarterly and the Executive Committee meets eight times a year. The all-volunteer Park Overseers is comprised of representatives of 21 parks friends groups, community organizations and institutions around the parks. It meets bi-monthly to focus on system-wide parks concerns and undertake collaborative projects. The Park Overseers are the Conservancy’s “eyes and ears” in the park.

EMERALD NECKLACE CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

(Continued)

NOTE 2 *(Continued)*

Organizational objectives include:

1. Improve parks management and complete restoration and maintenance projects in the Emerald Necklace park system with a focus on restoring the urban forest;
2. Engage adults through volunteer activities in the parks and connect young people to parks through summer and after-school jobs, and encouraging the use of the Emerald Necklace as an outdoor classroom;
3. Increase private investment in the Emerald Necklace parks to complement limited local and state budgets;
4. Facilitate a working coalition of state and municipal representatives; private entities; park advocates and neighborhood groups to advocate for and set and meet goals for the Emerald Necklace's renewal.

New Initiatives:

- Five-year Strategic Plan, approved by the Board of Directors in March 2015 after a nine-month planning process which included input from all constituent areas, provides vision, goals and strategies that will guide the Conservancy's work through 2020.
- The Emerald Necklace Tree Survey, Conditions Assessment and Management Plan, funded by the Olmsted Tree Society. The multi-year project includes GIS mapping and conditions assessment of over 7,000 trees and 200 acres of woodlands, development of a Management Plan and implementation of planned arborist, woodlands management and planting program to care for the urban forest in the Emerald Necklace.

Recent Accomplishments:

- Restoration of the Kelleher Rose Garden Fountain and Statuary, a \$550K restoration project supported by the Conservancy's Justine Mee Liff Fund.
- "Circle The City: Open Streets, Open Parks" drew over 20,000 people onto car-free streets to walk, bike, roll, dance and play together in its first three seasons, 2011 to 2015.
- Restoration of the historic Stony Brook Gatehouse to become the Shattuck Emerald Necklace Visitor Center in the Back Bay Fens and the Conservancy's office. Visitor Services began in January 2011.
- In 2016, the Conservancy distributed more than 3,000 maps and welcomed over 5,000 visitors to the park. Volunteer Park Docent Program gives regular park tours and presentations.
- Pruning of over 800 trees and planting of over 200 trees from 2104 to the present.

Emerald Necklace Conservancy Programming for the Emerald Necklace Parks:

Volunteers:

- Volunteer in the Parks Program staffs park maintenance and restoration projects with over 1,000 youth and adult volunteers, annually
- "Tuesdays with Roses" - a weekly volunteer maintenance program of the Arthur Shurcliff-designed Kelleher Rose Garden - keeps this historic garden blooming and beautiful from June through October.

EMERALD NECKLACE CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

(Continued)

NOTE 2 *(Continued)*

Youth:

- The Youth Leadership Program and Green Team are youth workforce development programs which provide environmental education, leadership training, and real work experience in the parks. Up to 50 urban teens and young adults participate in parks maintenance and restoration projects each year.
- Canopy Classroom program provides hands-on life science learning in the park for 2nd and 3rd grade students from local elementary schools.
- Internships are staffed throughout the year by local college students seeking work experience in a nonprofit, park stewardship organization.

Maintenance and Restoration:

- Emerald Necklace Maintenance Collaborative workforce development initiative provides vocational training in landscaping to men in the corrections system who then staff dedicated maintenance crews in the parks.
- Planted 150 Red Oak trees along the Emerald Necklace Parkways and 12 Linden trees in the Back Bay
- Fens during the period of 2016 to the present.
- Fenway Restoration Project – from the Shattuck Visitor Center to Museum Road, aerated and fertilized soil and planted 12 trees and over 300 shrubs to rehabilitate the area and redirect pedestrians to pathway use.
- Back Bay Fens - Mother's Rest Slope restoration project is a model slope management project to restore and protect slope areas from erosion and harmful foot traffic.
- Spring Pond Wildflower Meadow maintenance in Olmsted Park keeps this former skating rink maintained as a meadow habitat for butterflies, bees and other pollinators.

Public Education, Special Events and Stewardship:

- Visitor Services were delivered at the Shattuck Visitor Center in the Back Bay Fens, including docent-led park tours, presentations, information and programs.
- The Annual Meeting, typically attended by approximately 150 guests, features a gathering of friends and supporters for a report on the past year, a look ahead and inspiration from a guest speaker.
- The Summer on the Emerald Necklace series comprises six free family concerts, yoga classes at the Arboretum, and a movie night in the Fens, and draws an average of people per event.

Advocacy:

- Muddy River Flood Damage Reduction and Ecosystem Restoration Project - active voting membership on the five-member Management Cabinet for this \$92 million restoration project, currently underway. Federal support for the environmental restoration component of the project is not yet assured and the Conservancy is working tirelessly to achieve it. Phase I, "Daylighting" of the Muddy River, was completed in 2016.
- Pedestrian and Bicycle Pathways and Park Access - successfully advocated for new, improved and safer crosswalks to and from the Emerald Necklace parks, including Rte. 9 in Brookline and the removal of the Casey Overpass and at-street plan facilitating the connection between the Arnold Arboretum and Franklin Park.
- Project Review Committee analyzes proposed development projects abutting the park and advocates for minimal impact on the park and park user experience

EMERALD NECKLACE CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

(Continued)

NOTE 2 *(Continued)*

Capital Projects

Justine Mee Liff Fund:

The Justine Mee Liff Fund is a board restricted fund dedicated to capital improvement and special projects in the Emerald Necklace (for net asset description see Note 8). Established in 2003, and funded primarily with revenue raised at the annual Party in the Park event, this fund has contributed to a range of significant park projects, including the restoration of the historic Stony Brook Gatehouse to become the Shattuck Emerald Necklace Visitor Center and the restoration of the Kelleher Rose Garden Fountain and Statuary. In 2013, with funds from the Justine Mee Liff Fund, the Olmsted Tree Society (“OTS”) was founded, with the intent to restore and maintain the tree canopy of the Emerald Necklace for today and future generations.

Olmsted Tree Society:

The initiative intends to preserve and protect healthy trees with selective pruning and soil enhancement coupled with planting new trees in the Back Bay Fens, Riverway, Olmsted Park, Jamaica Pond, Franklin Park and along the parkways of the Emerald Necklace. All work is undertaken in collaboration with the Conservancy’s public partners, Boston Parks & Recreation, Brookline Parks and Open Space and the Massachusetts Department of Conservation and Recreation.

The Olmsted Tree Society’s first initiative was the comprehensive survey and assessment of 7,000 trees, 200 acres of woodlands and parkway and riparian trees. Outcomes of the assessment included a GIS-enabled tree survey map and Emerald Necklace Tree Management plan, which now serves as a guide for all tree and woodlands work undertaken by the Conservancy and public partners.

Guided by the Management Plan, the Conservancy has invested \$1.1M in direct tree care plus more than 8,200 hours of volunteer time in Olmsted Park, Jamaica Pond, Franklin Park and the Back Bay Fens since 2014, leveraging 1:1 matches by the public partners. In spring 2016, the Conservancy collaborated with Massachusetts Department of Conservation and Recreation to plant 150 Red Oak trees along the Riverway, Jamaicaaway and Arborway, and continued canopy restoration with extensive woodlands work in Franklin Park.

NOTE 3 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies which affect significant elements of the Organization’s financial statements are described below to enhance the usefulness of the financial statements to the reader. The preparation of financial statements in conformity with 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 revenues and expenses during the reporting period. Actual results could differ from those estimates; however, adherence to generally accepted accounting principles has, in management’s opinion, resulted in reliable and consistent financial reporting by the Organization.

EMERALD NECKLACE CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

(Continued)

NOTE 3 (Continued)

Basis of Accounting:

The Organization's policy is to maintain its books and prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when a liability has been incurred.

Fair Value of Financial Instruments:

The Organization reports its fair value measures by using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by generally accepted accounting principles, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; observable inputs other than quoted prices for the asset or liability (for example, interest rate and yield curves); and inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The primary use of fair value measures in the Organization's financial statements are the initial measurement of unconditional promises to give and the recurring measurement of the Organization's investments. There have been no changes to this valuation methodology.

Financial Statement Presentation:

As required by the *FASB Accounting Standards Codification*TM, 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. These classifications are related to the existence or absence of donor-imposed restrictions as follows:

Unrestricted Net Assets - consists of assets, public support and program revenues which are available and used for operations and programs. Unrestricted net assets represents the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor. In addition, unrestricted net assets of the Organization included funds which represent unrestricted resources designated by the Board of Directors for the Justine Mee Liff Fund (See Note 8).

EMERALD NECKLACE CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

(Continued)

NOTE 3 (Continued)

Temporarily Restricted Net Assets - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and is satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds.

The Organization has chosen under the provisions for *Accounting for Contributions Received and Contributions Made* to imply a time restriction on grants restricted by donors and used for the acquisition of property and equipment. The restriction is met over the useful life of the restricted net assets and transfers are made to unrestricted net assets each year equal to that year's depreciation or amortization. As of September 30, 2017 and 2016, temporarily restricted net assets restricted in this manner related to the unamortized portion of the leasehold improvements for the Shattuck Emerald Necklace Visitor Center which was funded with restricted grants and donations.

Permanently Restricted Net Assets - includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the Organization to expend part or all of the income derived from the donated assets. For the years presented, permanently restricted net assets represents the corpus of the Wendy Shattuck Endowment Fund.

Receivables:

Pledges Receivable reflects unconditional promises to give. Receivables are classified as current if they are scheduled for payment within one year, and non-current when the expected payment date exceeds one year. As of September 30, 2017, all non-current receivables were due within two years. Management periodically reviews specific grants, commitments and agreements to determine if any balances are uncollectible. Management believes that all receivables are collectible; therefore, no allowance for doubtful amounts has been established. If balances due are determined to be uncollectible in subsequent periods, an allowance will be established at that time. For the years presented, there were no losses on uncollectible pledges receivable.

Property and Equipment:

Property, equipment, furnishing and improvement purchases in excess of \$500 are capitalized at cost, if purchased, or if donated, at fair value on the date of receipt. Expenditures for maintenance repairs and renewals are charged to expense as incurred, whereas, major betterments are capitalized as additions to property and equipment. Depreciation of property and equipment is computed using the straight-line method, and is charged against support and revenues over the estimated useful lives of the assets, as expressed in terms of years.

Investments:

The Organization maintains professionally managed investment portfolios consisting of publicly traded securities and cash equivalents. Investments are recorded at fair value. As required by *FASB Accounting Standards Codification*TM, the Organization reports the investments' net realized and unrealized gains and losses at each reporting date in the Organization's Statement of Activities. Purchases and sales of securities are recorded on the trade date. In determining the gains (losses) realized on the sales of securities, the cost of the securities sold has been determined on a specific identification basis. Cash held in brokerage accounts is reported as investments for purposes of these financial statements. Investments are classified as

EMERALD NECKLACE CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

(Continued)

NOTE 3 (Continued)

either short-term or long-term depending on the underlying intentions. Endowment investments are classified as long-term without regard to the investment composition. All investments in the accompanying financial statements are classified within Level 1 of the fair value hierarchy.

Endowment Funds:

During 2011, a donor made a contribution of \$250,000 to establish a donor restricted endowment fund, known as the Wendy Shattuck Endowment Fund. As required by the Commonwealth of Massachusetts, the Organization follows the guidance of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). UPMIFA establishes law for the management and investment of donor-restricted endowment funds.

The Board of Directors' interpretation of state law is that the Organization, absent explicit donor stipulations to the contrary, may appropriate as much of the net appreciation as is prudent considering the Organization's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions.

The agreement with the original donor provides that expenditures from the fund will be made only from the investment income earned on the fund including both realized and unrealized capital gains (spendable income). Expenditures are limited to 5% of the three-year average of net fair value of the fund and may not exceed 75% of the accumulated and unspent spendable income from not more than the two prior years.

All expenditures from the fund must be in support of projects approved by the Board of Directors and in support of projects funded by the Board Designated Liff Fund. Additionally, the Shattuck Fund Committee must approve all expenditures from the fund. The donor has retained the right to approve a majority of the members of this Committee and the Committee will be comprised of at least one family member of the donor.

Income and appreciation earned on the Wendy Shattuck Endowment investments are classified as temporarily restricted until appropriated for expenditure by the Shattuck Fund Committee based on the above factors.

The Organization takes a conservative approach to investing its endowment funds, which are maintained in money market funds and publicly traded securities and are reported as *Shattuck Endowment Investments* in the accompanying Statements of Financial Position.

Gifts, Grants and Contributions:

As required by the *FASB Accounting Standards Codification*TM, contributions are required to be recorded as receivables and revenues and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, bequests, collection items, stocks or promises to give.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value.

EMERALD NECKLACE CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

(Continued)

NOTE 3 *(Continued)*

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved when such amounts are considered material. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction until the restriction expires, at which time temporarily restricted net assets are reclassified to unrestricted net assets.

Revenue Recognition and Deferred Revenue:

Ticket sales for events held by the Organization are considered exchange transactions and are recognized as revenue at the time of the event. Revenue from ticket sales received in advance of an event is deferred until the event date and is included in *Deferred Revenue* in the accompanying Statements of Financial Position.

Donated Goods and Services:

As required by the *FASB Accounting Standards Codification*TM, Emerald Necklace Conservancy, Inc. maintains a policy whereby the value of the donated goods and services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recognized as revenue on the Statement of Activities and are reported as expenses on the Statement of Functional Expenses. During FY 2016, Emerald Necklace received \$21,223 in pro-bono legal services related to a trademark petition against the City of Cleveland. In addition, members of the Board of Directors and other volunteers donated numerous hours of service which, while significant, do not meet the recognition criteria and therefore have not been recorded in the accompanying financial statements.

Fiscal Sponsorship:

During FY 2017, the Organization acted as a fiscal sponsor for several projects. Grants and contributions made for these projects through Emerald Necklace are recognized as temporarily restricted support in the year received. Funds collected and held for distribution related to these projects are released from *Temporarily Restricted Net Assets* as eligible costs are incurred.

Functional Expenses:

Emerald Necklace Conservancy, Inc. allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases and payroll derived ratios. Supporting services are those related to operating and managing Emerald Necklace Conservancy, Inc. and its programs on a day-to-day basis.

Supporting services have been sub-classified as follows:

Administrative - includes all activities related to Emerald Necklace Conservancy, Inc.'s internal management and accounting for program services.

Fund Raising - includes all activities related to maintaining contributor information, writing grant proposals, distribution of materials and other similar projects related to the procurement of donated funds.

EMERALD NECKLACE CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

(Continued)

NOTE 3 (Continued)

Advertising:

Emerald Necklace Conservancy, Inc. uses print advertising and other media to promote its programs and events and to solicit for contributions. Advertising costs are expensed as incurred.

Tax Position:

The Organization currently evaluates all tax positions, and makes a determination regarding the likelihood of those positions being upheld under review. The primary tax positions made by the Organization are the existence of Unrelated Business Income Tax and the Organization's status as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. For the years presented, the Organization has not recognized any tax benefits or loss contingencies for uncertain tax positions based on this evaluation.

Reclassifications:

Certain amounts in the prior year comparative information have been reclassified to conform to the current year presentation. Reclassifications made to the prior year information have no impact on total net assets or changes in net assets.

Recent Accounting Guidance:

In August 2016, the FASB issued ASC Update No. 2016-14, (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*, with the goal of improving not-for-profit financial statements to provide more useful information to donors, grantors, creditors, and other financial statement users. The new guidance simplifies and improves how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about the function and nature of expenses, liquidity, financial performance, and cash flows. This guidance will be effective for this Organization beginning after December 15, 2017 and is not expected to have a material effect on the Organization's financial position or change in net assets.

In May 2014, the FASB issued ASC Update No. 2014-09, (Topic 606) *Revenue from Contracts with Customers*. This ASU is a comprehensive new revenue recognition model that requires an organization to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. This updated guidance impacts not-for-profit entities that have revenue transactions other than contributions. In August 2015, the FASB issued ASC Update No. 2015-14, (Topic 606) *Revenue from Contracts with Customers*, which deferred the effective date of ASC Update No. 2014-09 by one year. This guidance will be effective for this Organization beginning after December 15, 2018 and is not expected to have a material effect on the Organization's financial position or change in net assets.

EMERALD NECKLACE CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

(Continued)

NOTE 4 INVESTMENTS

As of September 30, 2017 and 2016, investment costs and unrealized gains and losses consisted of the following components:

<u>Investment Type</u>	<u>September 30, 2017</u>			<u>Fair Value (Level 1)</u>
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	
Money Market Funds	\$ 115,362	\$ -	\$ -	\$ 115,362
Common Stock	1,615,512	365,051	(28,869)	1,951,694
Exchange-Traded Products	565,175	43,511	(3,813)	604,873
Mutual Funds	198,150	46,605	-	244,755
REITS	58,616	5,915	(199)	64,332
Corporate Bonds	916,108	13,481	(9,272)	920,317
Government Bonds	<u>277,310</u>	<u>-</u>	<u>(1,808)</u>	<u>275,502</u>
Total	<u>\$3,746,233</u>	<u>\$474,563</u>	<u>\$(43,961)</u>	<u>\$4,176,835</u>

<u>Investment Type</u>	<u>September 30, 2016</u>			<u>Fair Value (Level 1)</u>
	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	
Money Market Funds	\$ 241,887	\$ -	\$ -	\$ 241,887
Common Stock	1,488,403	162,161	(38,686)	1,611,878
Exchange-Traded Products	532,369	16,183	(3,679)	544,873
Mutual Funds	198,150	9,420	-	207,570
REITS	36,613	4,116	(23)	40,706
Corporate Bonds	840,269	23,142	(1,363)	862,048
Government Bonds	<u>319,821</u>	<u>4,102</u>	<u>-</u>	<u>323,923</u>
Total	<u>\$3,657,512</u>	<u>\$219,124</u>	<u>\$(43,751)</u>	<u>\$3,832,885</u>

The Organization uses the following way to determine the fair value of investments:

Money Market Funds: Determined by the published net asset value (“NAV”) per unit at the end of the last trading day of the year, which is the basis for transactions at that date

Fixed Income, Equity Securities and Inflation Hedges: traded on national securities exchanges and are determined by the published closing price on the last business day of the fiscal year.

Corporate Bonds and Government Securities: valued at the market quotations provided by brokers and dealers who used quotations for similar securities in active markets, which represents a market approach.

REITS and Exchange-Traded Funds: determined by the published closing prices on the last business day of the calendar year.

EMERALD NECKLACE CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

(Continued)

NOTE 4 (Continued)

Investments are classified as follows for the years presented:

<u>Non-Endowment Investments</u>	<u>September 30, 2017</u>		
	<u>Short-Term</u>	<u>Long-Term</u>	<u>Total</u>
Unrestricted Investments - Operations	\$5,090	\$ -	\$ 5,090
Unrestricted Board Designated - Liff Fund Investments	-	2,571,233	2,571,233
Temporarily Restricted Investments Olmsted Tree Society	-	<u>893,246</u>	<u>893,246</u>
Total Non-Endowment Investments	<u>\$5,090</u>	<u>\$3,464,479</u>	<u>\$3,469,569</u>
<u>Non-Endowment Investments</u>	<u>September 30, 2016</u>		
	<u>Short-Term</u>	<u>Long-Term</u>	<u>Total</u>
Unrestricted Investments - Operations	\$4,120	\$ -	\$ 4,120
Unrestricted Board Designated - Liff Fund Investments	-	2,361,052	2,361,052
Temporarily Restricted Investments Olmsted Tree Society	-	<u>813,338</u>	<u>813,338</u>
Total Non-Endowment Investments	<u>\$4,120</u>	<u>\$3,174,390</u>	<u>\$3,178,510</u>
<u>Shattuck Endowment Investments</u>		<u>2017</u>	<u>2016</u>
Shattuck Temporarily Restricted Investments		\$181,536	\$128,645
Shattuck Permanently Restricted Investments		<u>525,730</u>	<u>525,730</u>
Total Long-Term Investments - Shattuck Endowment		<u>\$707,266</u>	<u>\$654,375</u>

Components of *Investment Return* for the years ended September 30, 2017 and 2016 are as follows:

<u>Components of Investment Return</u>	<u>2017</u>	<u>2016</u>
Interest and Dividends	\$ 99,504	\$ 83,370
Investment Fees	(38,380)	(37,383)
Net Realized Gain (Loss) on Investments	10,488	(22,065)
Net Unrealized Gain (Loss) on Investments	<u>265,755</u>	<u>259,611</u>
Net Investment Return	<u>\$337,367</u>	<u>\$283,533</u>

NOTE 5 PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of September 30, 2017 and 2016:

<u>Asset Category</u>	<u>Est. Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value 2017</u>
Vehicle	5	\$ 32,378	\$ 32,378	\$ -
Leasehold Improvements	40	<u>906,904</u>	<u>153,075</u>	<u>753,829</u>
Total		<u>\$939,282</u>	<u>\$185,453</u>	<u>\$753,829</u>

EMERALD NECKLACE CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

(Continued)

NOTE 5 *(Continued)*

<u>Asset Category</u>	<u>Est. Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value 2016</u>
Vehicle	5	\$ 32,378	\$ 32,378	\$ -
Leasehold Improvements	40	<u>906,904</u>	<u>130,402</u>	<u>776,502</u>
Total		<u>\$939,282</u>	<u>\$162,780</u>	<u>\$776,502</u>

The Organization occupies the historic building known as the Fens Gate House under an agreement with the City of Boston. The parties agreed that the Organization could occupy the grounds for \$1 per year if the Organization restored the existing building. Upon the completion of the Fens Gate House renovations in January 2011, the Organization began using the property as a visitor and information center for the Emerald Necklace park system, now known as the Shattuck Emerald Necklace Visitor Center. The leasehold improvements consist of \$906,904 expended for the restoration, which was comprised of \$706,904 of temporarily restricted funds raised for this project, plus \$200,000 of additional unrestricted funds. The lease is for an initial period of ten years and the Conservancy has the option to renew the lease for three subsequent periods of ten years each. Management expects that it will exercise its option to renew the lease for each of the three periods. Accordingly, the leasehold improvements are being amortized over a period of 40 years. For the years ended September 30, 2017 and 2016, the provision for amortization of leasehold improvements was \$22,673 each year, of which amount, \$17,673 (representing amortization applicable to the restricted portion) was released from restriction.

NOTE 6 LINE-OF-CREDIT

The Organization has a revolving line-of-credit with Citizens Financial Group, Inc. with a borrowing limit of \$100,000. The line is secured by substantially all assets of the Conservancy with the exception of the Wendy Shattuck Endowment Fund and the funds designated by the Board of Directors as the Justine Mee Liff Fund. The line bears interest at the bank's prime rate (4.25% and 3.5% as of September 30, 2017 and 2016, respectively). As of September 30, 2017 and 2016, there was no balance outstanding under the line.

NOTE 7 COMMITMENTS

On February 25, 2016, the Organization entered into an agreement for tree planting and soil remediation services with a total contract cost of \$195,000. During FY 2016, \$146,250 was paid on the agreement with \$48,750 due in FY 2018 under the terms of the contract.

NOTE 8 NET ASSETS

Unrestricted, Board Designated:

In 2004, Emerald Necklace entered into a Memorandum of Agreement with the City of Boston, the Town of Brookline and the Commonwealth of Massachusetts Department of Conservation and Recreation whereby the Board of Directors initiated an effort to create and set aside a pool of funds with the intention that the funds would be, but are not required to be, invested, and utilized in support of capital and other special projects. It was further agreed that these funds would be known as the Justine Mee Liff Fund in honor of the legacy of the City of Boston's former Parks Commissioner. While unrestricted, these funds are to be used for specific projects in cooperation with the parties to the agreement.

EMERALD NECKLACE CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

(Continued)

NOTE 8 (Continued)

For the years ended September 30, 2017 and 2016, the Board appropriated funds for operating support in the amount of \$200,000 and \$175,000, respectively.

Temporarily Restricted:

Temporarily restricted net assets include unexpended contributions and grants temporarily restricted by donors and accumulated investment income earned on restricted funds for the following purposes as of September 30, 2017 and 2016:

<u>Nature of Restriction</u>	<u>2017</u>	<u>2016</u>
Shattuck Emerald Necklace Visitor Center	\$ 587,580	\$ 605,252
Olmsted Tree Society*	1,077,741	987,946
Shattuck Endowment Appreciation	181,536	128,645
Youth/Green Team Programs	30,744	-
Maintenance, Restoration and Preservation	-	27,050
Fiscally Sponsored Projects - Charlesgate	29,475	-
Time Restrictions	<u>66,667</u>	<u>10,000</u>
Total	<u>\$1,973,743</u>	<u>\$1,758,893</u>

*The following is a summary of the activity for the Olmsted Tree Society Fund:

	<u>2017</u>	<u>2016</u>
Contributions	\$ 51,985	\$ 222,314
Party in the Park Event Proceeds	344,494	216,530
Investment Income	73,649	43,224
Program Expenses	<u>(380,333)</u>	<u>(479,745)</u>
Net Increase	89,795	2,323
Net Assets - Beginning of Year	<u>987,946</u>	<u>985,623</u>
Net Assets - End of Year	<u>\$1,077,741</u>	<u>\$ 987,946</u>

Net assets released from temporary donor restrictions by incurring expenses which satisfied the restricted purposes, by the passage of time or by the occurrence of events specified by the donors were as follows for the year presented:

<u>Nature of Restriction</u>	<u>2017</u>	<u>2016</u>
Shattuck Emerald Necklace		
Visitor Center Depreciation	\$ 17,673	\$ 17,673
Olmsted Tree Society	380,333	479,745
Youth/Green Team Programs	144,757	104,705
Volunteer Program	6,075	59,185
Maintenance, Restoration and Preservation	27,050	42,700
Fiscally Sponsored Projects - Charlesgate	3,275	-
Fiscally Sponsored Projects - Other	11,500	-
Time Restrictions Elapsed	<u>10,000</u>	<u>10,000</u>
Total	<u>\$600,663</u>	<u>\$714,008</u>

EMERALD NECKLACE CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

(Continued)

NOTE 8 *(Continued)*

Endowment:

All endowment net assets represent donor designated funds. The following schedule summarizes the change in endowment net assets for the years ended September 30, 2017 and 2016:

	<u>Temporarily</u> <u>Restricted</u>	<u>Permanently</u> <u>Restricted</u>	<u>Total Endowment</u> <u>Net Assets</u>
Endowment Net Assets, September 30, 2015	\$ 61,272	\$525,730	\$587,002
Investment Income	13,960	-	13,960
Investment Fees	(6,767)	-	(6,767)
Investment Gains	<u>60,180</u>	<u>-</u>	<u>60,180</u>
Endowment Net Assets, September 30, 2016	128,645	525,730	654,375
Investment Income	18,110	-	18,110
Investment Fees	(6,246)	-	(6,246)
Investment Gains	<u>41,027</u>	<u>-</u>	<u>41,027</u>
Endowment Net Assets, September 30, 2017	<u>\$181,536</u>	<u>\$525,730</u>	<u>\$707,266</u>

NOTE 9 FUND RAISING ACTIVITIES

The Organization sponsors special fund raising events to generate contributions as well as to gain public awareness for its programs and charitable purpose. The results of fundraising events are summarized below:

<u>Event</u>	<u>September 30, 2017</u>		
	<u>Gross</u> <u>Proceeds</u>	<u>Direct</u> <u>Costs</u>	<u>Net Event</u> <u>Revenues</u>
Party in the Park	\$ 941,188	\$(421,694)	\$519,494
Emerald Evening	<u>59,825</u>	<u>(32,750)</u>	<u>27,075</u>
Total	<u>\$1,001,013</u>	<u>\$(454,444)</u>	<u>\$546,569</u>
<u>Event</u>	<u>September 30, 2016</u>		
	<u>Gross</u> <u>Proceeds</u>	<u>Direct</u> <u>Costs</u>	<u>Net Event</u> <u>Revenues</u>
Party in the Park	<u>\$833,363</u>	<u>\$(416,832)</u>	<u>\$416,531</u>

EMERALD NECKLACE CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

(Continued)

NOTE 9 *(Continued)*

The following table summarizes the FY 2017 and 2016 “Party in the Park” events:

	<u>2017</u>	<u>2016</u>
Gross Event Ticket Sales	\$ 565,257	\$ 435,127
Auction and Raffle Proceeds	218,583	157,725
Contributions and Sponsorships Received	<u>157,348</u>	<u>240,511</u>
Total Proceeds	941,188	833,363
Less: Direct Event Costs	<u>(421,694)</u>	<u>(416,832)</u>
Net Event Proceeds	<u>\$ 519,494</u>	<u>\$ 416,531</u>

The Net Event Proceeds were allocated as follows:

	<u>2017</u>	<u>2016</u>
Justine Mee Liff Fund (Board Designated)	\$175,000	\$200,000
Olmsted Tree Society (Restricted)	<u>344,494</u>	<u>216,531</u>
Total	<u>\$519,494</u>	<u>\$416,531</u>

NOTE 10 RETIREMENT PLAN

The Organization maintains a defined contribution plan for all eligible employees. The plan is qualified under Internal Revenue Code Section 403(b) and the Employee Retirement Income Security Act. Emerald Necklace does not contribute to the plan.

NOTE 11 OLMSTED TREE SOCIETY MEMORANDUMS OF AGREEMENT

In April and May 2015, the Emerald Necklace Conservancy executed Memorandums of Agreement (“MOAs”) with the City of Boston, the Town of Brookline and the Massachusetts Department of Conservation and Recreation. The MOAs detail the parties’ shared responsibility for the restoration and care for the tree canopy in the Emerald Necklace park system. The parties agreed that “the shrinking tree canopy in Boston and Brookline was a serious concern and that the aging tree canopy of the Emerald Necklace was an invaluable resource, that if properly curated, would benefit generations to come.” Based on recommendations from the Emerald Necklace Tree Management Plan funded by the Conservancy’s Olmsted Tree Society, the parties agreed to: a 5-year term of collaborative work, the establishment of an Operations Committee to meet quarterly to establish the annual work plan, and that the Conservancy will match the park owners’ expenditures so that the costs would be shared equally between the Conservancy and the public partners. With an estimated cost of deferred park tree maintenance at \$9 million, the Conservancy and public partners have a signed MOA describing shared responsibility for both the tree work and cost over the next five years. Once the major tree canopy deferred maintenance and restoration is complete, the estimated cost of annual tree care is \$900K.

The MOA further details obligations of each party, license and permit stipulations, maintenance standards and insurance requirements. The parties recognize and agree to the Olmsted Tree Society’s recognition program for significant donors, which allows for the placement of agreed upon plaques on specified trees for a period of 5 - 15 years in acknowledgment of their contribution. The public partners can also recognize donors with plaques on specified trees.

EMERALD NECKLACE CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

(Continued)

NOTE 12 CONCENTRATIONS

Cash and Investments:

The Organization is subject to concentrations in credit risk relating primarily to cash and investments. For the years presented, the majority of the Organization's cash deposits and investments are held in two financial institutions. Cash deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") under the applicable limits; however, at times cash balances may exceed federally insured limits. As of September 30, 2017 and 2016 cash balances in excess of the FDIC coverage were \$165,446 and \$269,013, respectively. The Organization has not experienced any losses on uninsured cash balances and management considers credit risk on cash to be low.

The Organization invests in professionally managed money market and mutual funds that contain various types of marketable securities. The Organization's investments are exposed to various risks, such as fluctuations in market value, and credit risk. Thus, it is at least reasonably possible that changes in the near term could materially affect investment balances. The Organization's investment performance is reviewed by the Board of Directors on a periodic basis. To minimize risk, the Organization's cash accounts are placed with high credit quality financial institutions and the investment portfolio is diversified.

Pledges Receivable:

As of September 30, 2017 and 2016, approximately 100% and 48%, respectively, of *Pledges Receivable* are due from one foundation.

Revenue Concentrations:

For the years ended September 30, 2017 and 2016, the Party in the Park fundraising event represents approximately 27% and 23%, respectively, of total support and revenues.

NOTE 13 SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through February 13, 2018, the date which the financial statements were available for issue, and noted no events which met the recognition criteria.