

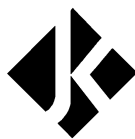


ATLANTA, GEORGIA

**REPORT ON AUDITS OF FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

PIEDMONT PARK CONSERVANCY, INC.
INDEX TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	
STATEMENTS OF FINANCIAL POSITION	1
STATEMENTS OF ACTIVITIES AND NET ASSETS	2
STATEMENTS OF CASH FLOWS	3
NOTES TO FINANCIAL STATEMENTS	4-10



**Jones and Kolb
Certified Public Accountants
Atlanta, Georgia**

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Piedmont Park Conservancy, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Piedmont Park Conservancy, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Jones and Kelly

March 15, 2017

PIEDMONT PARK CONSERVANCY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,127,939	\$ 1,504,995
Pledges receivable	220,583	54,750
Accounts receivable	-	23,245
Prepaid expenses	36,343	37,667
Other current assets	24,716	1,000
	<u>1,409,581</u>	<u>1,621,657</u>
PROPERTY AND EQUIPMENT		
Land, building and improvements	4,420,383	4,089,226
Furniture, fixtures and equipment	611,906	642,567
	<u>5,032,289</u>	<u>4,731,793</u>
Total	5,032,289	4,731,793
Less accumulated depreciation	1,675,999	1,592,466
	<u>3,356,290</u>	<u>3,139,327</u>
Total property and equipment	<u>3,356,290</u>	<u>3,139,327</u>
Total assets	<u>\$ 4,765,871</u>	<u>\$ 4,760,984</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 94,281	\$ 45,264
Capital lease obligations	4,927	11,539
Deferred revenue	270,148	268,792
	<u>369,356</u>	<u>325,595</u>
Total current liabilities	369,356	325,595
LONG-TERM CAPITAL LEASE OBLIGATIONS	<u>-</u>	<u>4,927</u>
Total liabilities	<u>369,356</u>	<u>330,522</u>
NET ASSETS		
Unrestricted	3,074,812	2,547,965
Temporarily restricted	1,321,703	1,882,497
	<u>4,396,515</u>	<u>4,430,462</u>
Total net assets	<u>4,396,515</u>	<u>4,430,462</u>
Total liabilities and net assets	<u>\$ 4,765,871</u>	<u>\$ 4,760,984</u>

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

PIEDMONT PARK CONSERVANCY, INC.
STATEMENTS OF ACTIVITIES AND NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
UNRESTRICTED SUPPORT		
Rental income	\$ 1,010,538	\$ 920,088
Special events	652,736	500,056
Membership and unrestricted contributions	480,367	297,300
Program fees	610,873	599,111
City of Atlanta support	144,000	157,244
Other income (loss)	120	(4,173)
	<hr/>	<hr/>
Total unrestricted support	2,898,634	2,469,626
NET ASSETS RELEASED FROM RESTRICTIONS	<hr/>	<hr/>
	1,153,318	805,111
TOTAL UNRESTRICTED SUPPORT AND RECLASSIFICATIONS	<hr/>	<hr/>
	4,051,952	3,274,737
EXPENSES		
Program services	2,623,038	2,235,668
Supporting services		
Management and general	214,337	225,103
Fundraising	432,284	460,872
Direct costs of special events	255,446	253,925
	<hr/>	<hr/>
Total expenses	3,525,105	3,175,568
	<hr/>	<hr/>
Change in unrestricted net assets	526,847	99,169
TEMPORARILY RESTRICTED SUPPORT		
Temporarily restricted contributions	539,833	1,385,298
Loss on uncollectible pledges	-	(10,000)
Endowment fund distributions	52,691	51,429
	<hr/>	<hr/>
Total temporarily restricted support	592,524	1,426,727
NET ASSETS RELEASED FROM RESTRICTIONS	<hr/>	<hr/>
	(1,153,318)	(805,111)
	<hr/>	<hr/>
Change in temporarily restricted net assets	(560,794)	621,616
CHANGE IN NET ASSETS	<hr/>	<hr/>
	(33,947)	720,785
NET ASSETS, Beginning of year	<hr/>	<hr/>
	4,430,462	3,709,677
NET ASSETS, End of year	<hr/>	<hr/>
	\$ 4,396,515	\$ 4,430,462

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

PIEDMONT PARK CONSERVANCY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (33,947)	\$ 720,785
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Depreciation	145,285	130,749
Loss on uncollectible pledges	-	10,000
Loss on disposal of assets	-	4,173
(Increase) decrease in pledges receivable	(165,833)	8,039
(Increase) decrease in accounts receivable	23,245	(23,245)
(Increase) decrease in prepaid expenses	1,324	(4,973)
(Increase) decrease in other current assets	(23,716)	(68)
Increase (decrease) in accounts payable	49,017	1,438
Increase (decrease) in deferred revenue	1,356	11,823
Total adjustments	<u>30,678</u>	<u>137,936</u>
Net cash and cash equivalents provided by (used in) operating activities	<u>(3,269)</u>	<u>858,721</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(362,248)</u>	<u>(24,396)</u>
Net cash and cash equivalents used in investing activities	<u>(362,248)</u>	<u>(24,396)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligation	<u>(11,539)</u>	<u>(11,083)</u>
Net cash and cash equivalents used in financing activities	<u>(11,539)</u>	<u>(11,083)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(377,056)	823,242
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,504,995</u>	<u>681,753</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,127,939</u>	<u>\$ 1,504,995</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Interest paid	<u>\$ 456</u>	<u>\$ 3,912</u>

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

PIEDMONT PARK CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

PIEDMONT PARK CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

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

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

During 2012, PPC received and installed a gift of outdoor fitness equipment, which was activated for public use in the summer. During 2013, PPC completed the final phase of the North Woods expansion project, which totaled approximately \$1,100,000, and donated it to the City of Atlanta.

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

PIEDMONT PARK CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

D. PPC records unconditional pledges in the period made by donors and allowances are provided for amounts estimated as uncollectible. All contributions are available for unrestricted purposes unless specifically restricted by the donor. At December 31, 2016 and 2015, all pledges are expected to be collected, and no allowance has been recorded.

E. Unconditional promises to give that are expected to be collected within one year are recorded at their estimated realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts, if any, is included in contribution revenue in the accompanying Statements of Activities and Net Assets. Conditional promises to give are not included as contribution revenue until the conditions are substantially met. At December 31, 2016 and 2015, all pledges receivable are due within one year. At December 31, 2016 and 2015, 84% and 82% of pledges receivable were due from one and two donors, respectively.

F. Accounts receivable, net of allowances for uncollectible accounts, are recorded at the amount of cash estimated as realizable. PPC provides reserves for uncollectible accounts when specific accounts are deemed uncollectible. Accounts receivable are considered delinquent based upon how recently payments have been received. At December 31, 2015, accounts receivable consisted primarily of amounts due from the City for repairs and maintenance. PPC considers all amounts collectible; therefore, an allowance for uncollectible accounts has not been recorded.

G. PPC records donated services as contribution revenue and expense if the services create or enhance a non-financial asset, or the services would (1) need to be purchased by PPC if not provided by contribution, (2) require specialized skills, and (3) are provided by individuals with those skills. Donated materials and services are reflected as contributions in the accompanying statements at their estimated value at date of receipt. During the years ended December 31, 2016 and 2015, PPC recorded approximately \$189,000 and \$147,000, respectively, of donated services, materials and advertising, related to various fundraising events and professional services.

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

Unrestricted net assets are not subject to donor-imposed stipulations, or the donor-imposed stipulations have been met or expired.

PIEDMONT PARK CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

Permanently restricted net assets are those net assets subject to donor-imposed restrictions that stipulate that the resources be maintained permanently but permit PPC to use or expend part or all of the income derived from the donated assets for specified or unspecified purposes. At December 31, 2016 and 2015, PPC had no permanently restricted net assets.

I. Purchased property and equipment are capitalized at cost. Donated assets are capitalized at the fair market value of the asset on the date of contribution. Additions and replacements are charged to the property accounts, while repairs and maintenance are charged to expense as incurred. Property and equipment are depreciated over the estimated useful lives of the related assets using the straight-line method. Useful lives of these assets range from five to forty years. Depreciation expense was \$145,285 and \$130,749 for the years ended December 31, 2016 and 2015, respectively.

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

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

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

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

N. Management has evaluated subsequent events through March 15, 2017, which is the date these financial statements were available to be issued.

PIEDMONT PARK CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

2. PARK IMPROVEMENT PROJECTS

At December 31, 2016 and 2015, improvement projects in progress consist primarily of repairs and maintenance to existing facilities. In addition, operating and program expenses in the accompanying Statements of Activities and Net Assets include approximately \$238,000 and \$237,000 for 2016 and 2015, respectively, of facility maintenance expenses and additional safety services that were unreimbursed by the City.

3. LINE OF CREDIT

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

In October 2015, PPC renewed its line of credit through October 2017. The terms of the agreement remained the same as the previous agreement.

4. LEASES

During the years ended December 31, 2016 and 2015, PPC leased building space to a restaurant tenant under a noncancelable operating lease with a ten-year term which expires in 2017. PPC and the tenant have agreed to the terms of a five-year extension ending in 2022. The agreement and extension provide for monthly base rental payments plus a percentage of gross annual sales over a specified amount. For the years ended December 31, 2016 and 2015, rental income from these leases totaled \$69,528 and \$68,284, respectively.

The following is a schedule of future minimum base rental payments to be received under the existing lease:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 66,307
2018	\$ 68,562
2019	\$ 68,562
2020	\$ 68,562
2021	\$ 68,562
2022	\$ 34,281

PIEDMONT PARK CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

During the year ended December 31, 2014, PPC purchased a security cart and a tractor totaling \$35,985 under two capital lease agreements. Accumulated depreciation on the security cart and tractor totaled \$18,189 and \$10,992, respectively, at December 31, 2016 and 2015. The future minimum lease payments due under the lease agreement as of December 31, 2016 are:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	<u>\$ 4,980</u>
Total future minimum lease payments	4,980
Less capital lease imputed interest	<u>53</u>
Present value of lease payments	4,927
Less current portion	<u>4,927</u>
Long-term capital lease obligations	<u><u>\$ -</u></u>

PPC leases a copier under a four year operating lease agreement, which expires in January 2018. Rental expense was approximately \$5,200 for the years ended December 31, 2016 and 2015. The minimum lease payments due under this lease are \$5,163 for 2017 and \$430 for 2018.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$1,321,703 and \$1,882,497 at December 31, 2016 and 2015, respectively, are available for capital projects.

6. RETIREMENT SAVINGS PLAN

PPC provides a 401(k) retirement savings plan (the "Plan") covering substantially all employees. Annually, PPC contributes three percent of each eligible participant's annual compensation into a retirement savings account for that participant under the Plan. PPC employees become eligible to enter the Plan on the first January 1 or July 1 following a 90-day waiting period after their date of hire. One year after a participant is eligible to enter the plan, the participant is eligible for the PPC three percent safe harbor contribution. Eligible employees may contribute pre-tax amounts via payroll deduction into their retirement savings account under the Plan. PPC contributions to participant accounts under the Plan were \$29,265 and \$26,429 for the years ended December 31, 2016 and 2015, respectively.

PIEDMONT PARK CONSERVANCY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

7. ENDOWMENT FUND

In 2003, a donor contributed \$1,000,000 to PPC to establish a permanent endowment fund with the Community Foundation for Greater Atlanta, Inc. (the "Foundation"). The restricted fund agreement grants ownership and control of this endowment fund to the Foundation, with annual distributions from the fund paid to PPC to help care for the Park. Accordingly, the endowment fund is not recorded as an asset of PPC and is not recognized in the accompanying financial statements. The market value of this endowment fund was \$1,153,144 and \$1,135,539 at December 31, 2016 and 2015, respectively. Distributions to PPC from this endowment fund are recorded as contributions in the year they are received. Distributions of \$52,691 and \$51,429 were received from the endowment fund during the years ended December 31, 2016 and 2015, respectively.

8. CONTINGENCY

During the year ended December 31, 2015, PPC received property tax bills from Fulton County for tax years 2010 through 2015 totaling \$127,732. PPC paid the amounts due during 2015. PPC and Fulton County reached a settlement during the year ended December 31, 2017, and PPC anticipates it will receive approximately \$56,000 of property tax refunds.

9. COMMITMENT

During the year ended December 31, 2016, PPC entered into a contract for construction of a wall on Piedmont Road. The construction on this project will be completed during the year ended December 31, 2017 with the remaining costs, estimated at \$179,000, due upon completion.

10. SUBSEQUENT EVENT

Subsequent to December 31, 2016, PPC's Board of Directors established a repair, maintenance and operating reserve fund for the purpose of ensuring the stability of the mission, programs and operations of the Organization through protection of the regular operating budget against major unforeseen, unbudgeted repair and maintenance expenses. PPC's goal is to maintain a reserve of \$200,000.