

SOCRATES SCULPTURE PARK, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018



LUTZ AND GARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Socrates Sculpture Park, Inc.

We have audited the accompanying financial statements of Socrates Sculpture Park, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Socrates Sculpture Park, Inc. as of December 31, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 13 to the financial statements, in March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, Socrates Sculpture Park, Inc. has suspended some of its program activities at the direction of state and local governmental authorities. Our opinion is not modified with respect to this matter.

Lotz + Carr, LLP

New York, New York
June 18, 2020

SOCRATES SCULPTURE PARK, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents (Notes 1b and 12)		
Without donor restrictions	\$ 548,422	\$ 619,694
Board designated reserve (Note 3a)	621,484	583,947
Board designated for Future Fund (Note 3b)	14,543	-
With donor restrictions	1,178,192	499,317
Investments (Notes 1e and 5)		
Without donor restrictions	-	1,034
With donor restrictions	-	500,000
Board designated reserve (Note 3a)	401,106	250,517
Unconditional promises to give (Notes 1c and 4a)		
Without donor restrictions	99,300	80,000
With donor restrictions	640,369	1,231,925
Prepaid expenses and other assets	29,960	8,735
Donated artwork (Note 7b)	150,000	150,000
Property and equipment, at cost, net of accumulated depreciation (Notes 1d and 6a)	13,873	20,341
Construction in progress (Note 6b)	389,100	231,183
Security deposit	4,800	4,800
	<u>\$4,091,149</u>	<u>\$4,181,493</u>
Total Assets		
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 55,267	\$ 63,901
Commitments and Contingency (Notes 8, 11 and 13)		
Net Assets		
Without Donor Restrictions		
Board designated reserve (Note 3a)	1,022,590	834,464
Board designated for Future Fund (Note 3b)	164,543	150,000
Other	734,930	670,703
Total Without Donor Restrictions	<u>1,922,063</u>	<u>1,655,167</u>
With Donor Restrictions (Note 3c)	<u>2,113,819</u>	<u>2,462,425</u>
Total Net Assets	<u>4,035,882</u>	<u>4,117,592</u>
	<u>\$4,091,149</u>	<u>\$4,181,493</u>
Total Liabilities and Net Assets		

See notes to financial statements.

SOCRATES SCULPTURE PARK, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Changes in Net Assets						
Revenue and Public Support (Note 1a)						
Contributions	\$ 622,057	\$ 489,619	\$1,111,676	\$ 781,483	\$ 826,925	\$1,608,408
Donated services and materials (Notes 7a and 10)	48,410	-	48,410	100,629	-	100,629
Fundraising benefits	479,988	-	479,988	435,015	-	435,015
Direct fundraising benefit costs	(70,489)	-	(70,489)	(56,840)	-	(56,840)
Net investment income	1,677	-	1,677	-	-	-
Interest income	988	-	988	1,772	-	1,772
Other earned revenue	10,849	-	10,849	18,599	-	18,599
	<u>1,093,480</u>	<u>489,619</u>	<u>1,583,099</u>	<u>1,280,658</u>	<u>826,925</u>	<u>2,107,583</u>
Net assets released from restrictions						
Satisfaction of time and program restrictions	588,225	(588,225)	-	290,400	(290,400)	-
	<u>1,681,705</u>	<u>(98,606)</u>	<u>1,583,099</u>	<u>1,571,058</u>	<u>536,525</u>	<u>2,107,583</u>
Total Revenue and Public Support						
Expenses (Note 10)						
Program Services	1,228,611	-	1,228,611	1,053,602	-	1,053,602
Supporting Services						
Management and general	265,263	-	265,263	220,318	-	220,318
Fundraising	185,478	-	185,478	223,012	-	223,012
Total Supporting Services	450,741	-	450,741	443,330	-	443,330
	<u>1,679,352</u>	<u>-</u>	<u>1,679,352</u>	<u>1,496,932</u>	<u>-</u>	<u>1,496,932</u>
Total Expenses						
Increase (Decrease) in Net Assets Before Campaign Activity	2,353	(98,606)	(96,253)	74,126	536,525	610,651
Campaign and Reserve Activity						
Future Fund Campaign contributions (Note 9)	-	-	-	-	500,000	500,000
Board designated investment income for Future Fund (Note 2b)	14,543	-	14,543	-	-	-
Net assets released from restriction - Future Fund to board designated reserve	250,000	(250,000)	-	-	-	-
Board designated contribution to reserve	-	-	-	75,661	-	75,661
Board designated contribution of artwork to Future Fund (Note 7b)	-	-	-	150,000	-	150,000
	<u>266,896</u>	<u>(348,606)</u>	<u>(81,710)</u>	<u>299,787</u>	<u>1,036,525</u>	<u>1,336,312</u>
Increase (decrease) in net assets						
Net assets, beginning of year	1,655,167	2,462,425	4,117,592	1,355,380	1,425,900	2,781,280
	<u>\$ 1,922,063</u>	<u>\$ 2,113,819</u>	<u>\$4,035,882</u>	<u>\$ 1,655,167</u>	<u>\$ 2,462,425</u>	<u>\$4,117,592</u>
Net Assets, End of Year						

See notes to financial statements.

SOCRATES SCULPTURE PARK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019 WITH COMPARATIVE TOTALS FOR 2018

	Program Services	Supporting Services		2019	2018
		Management and General	Fundraising	Total Expenses	Total Expenses
Salaries, payroll taxes and employee benefits	\$ 533,816	\$ 167,217	\$ 132,342	\$ 833,375	\$ 672,973
Grant expense	179,870	-	-	179,870	95,300
Exhibition expenses	92,987	-	-	92,987	98,859
Artistic and teaching fees	37,808	-	3,356	41,164	27,775
Grounds maintenance and security	6,944	578	-	7,522	39,649
Consulting services	26,818	-	-	26,818	55,087
Professional services	50,534	38,526	-	89,060	96,181
Equipment rental and maintenance	45,497	6,291	1,930	53,718	82,158
Photography and documentation	4,334	-	1,016	5,350	5,505
Marketing	24,792	5,177	816	30,785	32,021
Supplies and materials	77,997	9,535	1,309	88,841	124,985
Occupancy	28,440	8,909	7,051	44,400	44,400
Telephone	4,647	1,455	1,152	7,254	6,805
Office expenses	792	249	196	1,237	2,640
Travel	1,078	4,818	3,606	9,502	9,759
Postage and mailing	23,013	1,574	2,406	26,993	9,222
Insurance	23,607	7,395	5,853	36,855	33,108
Fundraising event expenses	1,163	1,001	20,871	23,035	18,368
Technology	2,553	4,085	3,574	10,212	15,592
Other expenses	46,537	8,453	-	54,990	4,809
Total expenses before depreciation	1,213,227	265,263	185,478	1,663,968	1,475,196
Depreciation	15,384	-	-	15,384	21,736
Total Expenses, 2019	<u>\$1,228,611</u>	<u>\$ 265,263</u>	<u>\$ 185,478</u>	<u>\$1,679,352</u>	
Total Expenses, 2018	<u>\$1,053,602</u>	<u>\$ 220,318</u>	<u>\$ 223,012</u>		<u>\$1,496,932</u>

See notes to financial statements.

SOCRATES SCULPTURE PARK, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries, payroll taxes and employee benefits	\$ 399,968	\$ 126,673	\$ 146,332	\$ 672,973
Grant expense	95,300	-	-	95,300
Exhibition expenses	98,859	-	-	98,859
Artistic and teaching fees	25,368	-	2,407	27,775
Grounds maintenance and security	39,649	-	-	39,649
Consulting services	55,087	-	-	55,087
Professional services	35,297	42,824	18,060	96,181
Equipment rental and maintenance	62,050	17,434	2,674	82,158
Photography and documentation	4,459	-	1,046	5,505
Marketing	30,615	663	743	32,021
Supplies and materials	119,621	1,996	3,368	124,985
Occupancy	26,388	8,358	9,654	44,400
Telephone	4,044	1,281	1,480	6,805
Office expenses	1,569	497	574	2,640
Travel	1,888	3,377	4,494	9,759
Postage and mailing	5,665	1,407	2,150	9,222
Insurance	19,677	6,232	7,199	33,108
Fundraising event expenses	905	89	17,374	18,368
Technology	5,457	4,678	5,457	15,592
Other expenses	-	4,809	-	4,809
Total expenses before depreciation	1,031,866	220,318	223,012	1,475,196
Depreciation	21,736	-	-	21,736
Total Expenses	<u>\$1,053,602</u>	<u>\$ 220,318</u>	<u>\$ 223,012</u>	<u>\$1,496,932</u>

See notes to financial statements.

SOCRATES SCULPTURE PARK, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (81,710)	\$1,336,312
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation expense	15,384	21,736
Donated artwork	-	(150,000)
Capital campaign contributions	-	(500,000)
(Increase) decrease in:		
Unconditional promises to give	72,256	(511,025)
Prepaid expenses and other assets	(21,225)	8,665
Increase (decrease) in accounts payable and accrued expenses	<u>(8,634)</u>	<u>6,307</u>
Net Cash Provided (Used) By Operating Activities	<u>(23,929)</u>	<u>211,995</u>
Cash Flows From Investing Activities		
Payments toward construction in progress	(157,917)	(29,435)
Purchase of investments	(743,223)	(751,551)
Proceeds from sale of investments	1,093,668	-
Purchase of property and equipment	<u>(8,916)</u>	<u>-</u>
Net Cash Provided (Used) By Investing Activities	<u>183,612</u>	<u>(780,986)</u>
Cash Flows From Financing Activities		
Capital campaign contributions received	<u>500,000</u>	<u>250,000</u>
Net increase (decrease) in cash and cash equivalents	659,683	(318,991)
Cash and cash equivalents, beginning of year	<u>1,702,958</u>	<u>2,021,949</u>
Cash and Cash Equivalents, End of Year	<u><u>\$2,362,641</u></u>	<u><u>\$1,702,958</u></u>

See notes to financial statements.

SOCRATES SCULPTURE PARK, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2019 AND 2018****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

Socrates Sculpture Park, Inc. is the only site in the New York Metropolitan area specifically dedicated to providing artists with opportunities to create and exhibit large-scale sculpture in a unique outdoor environment that encourages strong interaction between artists, artworks and the public. The Park's existence is based on the belief that reclamation, revitalization and creative expression are essential to the survival, humanity and improvement of our urban environment.

The location of Socrates Sculpture Park, Inc. was an abandoned riverside landfill and illegal dumpsite until 1986 when a coalition of artists and community members, under the leadership of artist Mark di Suvero, transformed it into an open studio and exhibition space for artists and a neighborhood park for local residents. Today it is an internationally renowned outdoor museum and artist residency program that also serves as a vital New York City park offering a wide variety of free public programs.

For the years ended December 31, 2019 and 2018, Socrates Sculpture Park, Inc. received approximately 12% and 18% of its total revenue and public support from one government agency (2019) and one donor (2018), respectively.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments, purchased with an initial maturity of three months or less, including money market funds, to be cash equivalents.

c - Contributions and Unconditional Promises to Give

Contributions received are recorded as net assets with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Donated marketable securities and other noncash donations are recorded at their fair values at the date of donation. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are released to net assets without donor restrictions.

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

d - Property and Equipment

Property and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets.

SOCRATES SCULPTURE PARK, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2019 AND 2018****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****e - Investments and Fair Value Measurements**

The Organization reflects investments in certificates of deposit at fair value in the statement of financial position. Interest, dividends, gains and losses on investments are reflected in the statement of activities as increase and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Investment income restricted by the donor is reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year in which the income is recognized.

Generally accepted accounting principles establish a fair value measurement hierarchy that prioritizes the inputs to valuation techniques. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of unobservable inputs and have the lowest priority. The Organization uses the higher priority valuation techniques based on available inputs to measure fair values.

f - Grants and Appropriations

Unconditional grants and appropriations are recognized at the time authorized and awarded.

g - Marketing Costs

Marketing costs are charged to operations when incurred. Marketing expense for December 31, 2019 and 2018 was \$30,785 and \$32,021, respectively.

h - Financial Statement Presentation

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of Organization's management and Board of Directors.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions may be temporary in nature; those restrictions will be met by actions of the Organization or the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

SOCRATES SCULPTURE PARK, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2019 AND 2018****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****i - Functional Allocation of Expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Expenses are applied directly to programs, where applicable, or allocated on a reasonable and consistent basis. A substantial portion of the Organization's expenses are directly related to program activities, which are made up of the grants, membership and educational programs. The expenses that are allocated include salaries and employee benefits, insurance, depreciation, occupancy and office expenses which are allocated on the basis of an estimate of time and effort.

j - Estimates

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

k - Tax Status

Socrates Sculpture Park, Inc. is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

l - Subsequent Events

The Organization has evaluated subsequent events through June 18, 2020 the date that the financial statements are considered available to be issued.

m - Recent Accounting Pronouncement

The Financial Accounting Standards Board issued ASU 2016-02, "*Leases (Topic 842)*," which changes the way organizations will account for their leases by recognizing lease assets and related liabilities on the statements of financial position for all leases with terms longer than twelve months and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact of ASU 2016-02 on its financial statements.

Note 2 - Information Regarding Liquidity and Availability

The Organization operates with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. A substantial portion of annual revenue is comprised of contribution revenue raised during the current year, and revenue from other sources earned during the year. The Organization considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to general and administrative and fundraising activities undertaken to support those services.

SOCRATES SCULPTURE PARK, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 2 - Information Regarding Liquidity and Availability (continued)

The Organization regularly monitors liquidity to meet its operating needs and other commitments and obligations, while seeking to maximize the investment of its available funds. Management prepares regular cash flow projections to determine liquidity needs and has a policy to maintain liquid financial assets on an ongoing basis sufficient to cover at a minimum, ninety days of general expenditures. Financial assets in excess of daily cash requirements are invested in a certificate of deposit.

The Organization's financial assets as of December 31, 2019 and 2018 and those available within one year to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2019</u>	<u>2018</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$2,362,641	\$1,702,958
Investments	401,106	751,551
Unconditional promises to give	<u>739,669</u>	<u>1,311,925</u>
Total Financial Assets	3,503,416	3,766,434
Less: Amounts not Available to be Used within One Year:		
Net assets with donor restrictions, subject to expenditure for specific purposes or passage of time	(2,350,855)	(2,462,425)
Plus: Net assets with restrictions to be met in less than a year	722,468	658,225
Less: Board designated funds	<u>(1,187,133)</u>	<u>(984,464)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 687,896</u>	<u>\$ 977,770</u>

In addition to these financial assets available within one year, the Organization's board designated reserve could be made available at any time to meet cash needs for general expenditures at the discretion of the Board.

Note 3 - Net Assets

a - Net Assets Without Donor Restrictions - Board Designated Reserve

During 2011, the Organization established a board designated reserve with two contributions totaling \$500,000 and other funds. This fund is to be used for projects and purposes to be determined and authorized by the Board of Directors. During 2019, a release from net assets with donor restrictions of \$250,000 was added to this reserve, and \$61,874 was appropriated to fund certain capital expenditures. During 2018, interest income of \$1,119, and a contribution of \$75,661 was added to the reserve. As of December 31, 2019 and 2018, the reserve balance was \$1,022,590 and \$834,464, respectively.

SOCRATES SCULPTURE PARK, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 3 - Net Assets (continued)**b - Net Assets Without Donor Restrictions - Board Designated for Future Fund**

During 2018, the Board of Directors allocated a specific contribution without donor restrictions in the amount of \$150,000 to establish a reserve fund to be used for the purposes of the Future Fund Campaign (Note 9). During 2019, interest income earned on investments without donor restrictions totaling \$14,543 was added to this reserve.

c - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted to future programs and periods.

	<u>2019</u>	<u>2018</u>
Future exhibitions and programs	\$ 636,175	\$ 441,125
Future periods	217,644	411,300
Future Fund Campaign (Note 9)	<u>1,260,000</u>	<u>1,610,000</u>
Total	<u>\$2,113,819</u>	<u>\$2,462,425</u>

Note 4 - Promises to Give**a - Unconditional Promises to Give**

Unconditional promises to give are due as follows:

	<u>2019</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Due within one year	\$99,300	\$544,130	\$643,430
Due in one to five years	<u>-</u>	<u>102,100</u>	<u>102,100</u>
	99,300	646,230	745,530
Less: Discount to present value	<u>-</u>	<u>(5,861)</u>	<u>(5,861)</u>
Total	<u>\$99,300</u>	<u>\$640,369</u>	<u>\$739,669</u>
	<u>2018</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Due within one year	<u>\$80,000</u>	<u>\$1,231,925</u>	<u>\$1,311,925</u>

Unconditional promises due in one to five years are discounted to present value using a discount rate of 3%. Uncollectible promises are expected to be insignificant.

SOCRATES SCULPTURE PARK, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 4 - Promises to Give (continued)

b - Conditional Pledge

During 2016, the Organization received a \$500,000 grant from a foundation, of which \$250,000 was restricted for the capital costs of the Future Fund campaign, and has been recognized as contribution revenue. The remaining \$250,000 is for institutional reserves and capacity building, and is contingent on the completion of building construction and Organization taking occupancy. Accordingly, this amount has not been recognized in the accompanying financial statements.

Note 5 - Investments

Investments consist of certificates of deposit which are classified as Level 2 within the fair value hierarchy, with a cost basis of \$401,106 and \$751,551 as of December 31, 2019 and 2018, respectively.

Note 6 - Property and Equipment

a - Property and equipment consist of the following:

	<u>Life</u>	<u>2019</u>	<u>2018</u>
Studio improvements	10 years	\$ 18,909	\$ 18,909
Leasehold improvements	7 years	120,072	120,072
Furniture and equipment	3-7 years	79,344	75,428
Website	3 years	<u>16,349</u>	<u>11,349</u>
		234,674	225,758
Less: Accumulated depreciation		<u>(220,801)</u>	<u>(205,417)</u>
		<u>\$ 13,873</u>	<u>\$ 20,341</u>

b - Construction in progress includes design and construction documents and other costs related to the new building to be constructed as part of the Organization's Future Fund Campaign (Note 9). Cumulative amounts related to this project totaled \$295,258 and \$204,763 as of December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, construction in progress also included \$93,842 and \$26,420, respectively, related to other capital projects.

SOCRATES SCULPTURE PARK, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 7 - Donated Services and Materials

a - Donated services and materials consist of the following:

	2019	2018
Plant materials and labor	\$10,000	\$ 55,400
Equipment rental	20,010	24,034
Professional fees	18,400	12,400
Ground maintenance	-	8,640
Fundraising event expenses	-	155
	<u>\$48,410</u>	<u>\$100,629</u>

b - During 2018, the Organization received a donated artwork which has been recorded at a fair value of \$150,000, the approximate amount which is expected to be realized upon its sale, net of related expenses.

Note 8 - Commitments and Contingency

a - The location of Socrates Sculpture Park (the "Park") is licensed to the Organization by New York City Department of Parks and Recreations. Under a five-year license agreement dated October 6, 2011, currently extended to October 6, 2021, the Organization uses, operates and manages the Park as a public sculpture space at no charge. The terms of the license agreement may be further extended by mutual agreement for an additional five-year period.

b - The Organization occupies office space under a lease agreement with a term which expires August 2021. Minimum annual rentals as follows:

Year ending December 31, 2020	\$34,800
Thereafter, through August 2021	23,200

Rent expense under this lease for both the years ended December 31, 2019 and 2018 was \$34,800.

c - To date, the Organization has entered into contracts totaling approximately \$64,000 for capital expenditures and consulting services related to 2020.

SOCRATES SCULPTURE PARK, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2019 AND 2018****Note 8 - Commitments and Contingency (continued)**

- d - The Organization may be subject to litigation and legal claims that arise in the ordinary course of its activities. One pending matter is a claim for alleged injuries sustained on the Organization's premises. This matter is expected to fall within the Organization's insurance coverage, and management believes that any ultimate resolution of these matters will not have a material adverse effect on the financial condition of the Organization.
- e - Government supported projects are subject to audit by the governmental granting agency.

Note 9 - Future Fund Campaign

Launched in 2016 on the occasion of Socrates Sculpture Park's 30th anniversary, The Future Fund is a special campaign that seeks to raise approximately \$3 million in private funding toward capital, program, and capacity initiatives, including soft costs to build 'The Cubes'; and expanded staff and program development; and investment in the cash reserve.

The campaign seeks to leverage \$4,235,000 million allocated during 2015 for Socrates Sculpture Park in New York City's Department of Parks and Recreation Capital Budget. Those budget allocations are earmarked for the construction of The Cubes – the Park's first permanent building on-site, which will house Socrates administration and provide new opportunities for indoor programming. The building will ultimately be owned by NYC Parks, and maintained, operated and programmed by Socrates through a future license agreement.

The anticipated allocation and use of the funds to be raised by the Organization are to be as follows: \$500,000 in soft costs to build The Cubes, including architectural, engineering, legal fees, and other pre- and post-construction expenses; approximately \$1,500,000 million in future working capital toward essential infrastructure, capacity building, and program development; and \$1,000,000 million allocated to reserve funds that will lay a strong foundation for continued success, new growth, and long-term sustainability.

Note 10 - Related Party Transactions

During the years ended December 31, 2019 and 2018, the Organization received donated exhibition installation, labor services, and equipment totaling \$38,410 and \$34,934, respectively, from the company of a Board member emeritus.

SOCRATES SCULPTURE PARK, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2019 AND 2018****Note 11 - Pension Plan**

The Organization maintains a defined contribution pension plan qualified under Section 403(b) of the Internal Revenue Service Code for all eligible employees. Employees may make contributions to the plan, and the Organization contributes 4% of an employee's salary, subject to statutory limits. Benefits are immediately vested. Pension expense for the years ended December 31, 2019 and 2018 was \$7,690 and \$7,003, respectively.

Note 12 - Concentration of Credit Risk

The Organization maintains bank accounts at two financial institutions which are insured by Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 at each institution. Balances, at times, may exceed insured amounts.

Note 13 - Subsequent Event

In March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. The Park has been deemed an essential service and has remained open during the pandemic, continuing to offer services to its constituents. However, the Organization has suspended some of its program activities at the direction of state and local governmental authorities. Management is currently evaluating the potential impact that the resulting economic uncertainties will have on the Organization's operations.