

OVERTON PARK CONSERVANCY

FINANCIAL STATEMENTS

December 31, 2023
(with summarized comparative information for 2022)



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Overton Park Conservancy

Opinion

We have audited the accompanying financial statements of Overton Park Conservancy (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Overton Park Conservancy as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will

always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Overton Park Conservancy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Overton Park Conservancy's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited Overton Park Conservancy's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 7, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Memphis, Tennessee
August 7, 2024

OVERTON PARK CONSERVANCY
STATEMENT OF FINANCIAL POSITION

December 31, 2023
(with summarized comparative information at December 31, 2022)

	<u>Assets</u>	<u>2023</u>	<u>2022</u>
Cash and cash equivalents		\$ 1,662,166	\$ 1,994,106
Promises to give, net		98,095	294,003
Other receivables		26	1,915
Beneficial interest in assets held by others		682,744	570,848
Right-of-use asset - office space		102,867	128,635
Other assets		5,486	4,391
Property and Equipment			
Furniture and fixtures		24,040	25,258
Leasehold improvements		2,180	2,180
Less: accumulated depreciation		(15,238)	(12,298)
Net property and equipment		<u>10,982</u>	<u>15,140</u>
Total assets		<u><u>\$ 2,562,366</u></u>	<u><u>\$ 3,009,038</u></u>
	<u>Liabilities and Net Assets</u>		
Liabilities			
Accounts payable		\$ 26,900	\$ 190,228
Accrued payroll and related liabilities		51,364	49,142
Lease liability - office space		102,867	128,635
Total liabilities		<u>181,131</u>	<u>368,005</u>
Net Assets			
Without donor restrictions		731,462	697,058
With donor restrictions		1,649,773	1,943,975
Total net assets		<u>2,381,235</u>	<u>2,641,033</u>
Total liabilities and net assets		<u><u>\$ 2,562,366</u></u>	<u><u>\$ 3,009,038</u></u>

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

OVERTON PARK CONSERVANCY

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023
(with summarized comparative information for the year ended December 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2023	2022
Revenue, Support, and Gains				
Contributions and grants	\$ 720,458	\$ 609,671	\$ 1,330,129	\$ 2,798,929
Bequests	103,032	-	103,032	-
In-kind contributions	3,100	-	3,100	42,630
Government grants	23,689	-	23,689	-
Management fees - City of Memphis	150,000	-	150,000	150,000
Events and fees	44,850	-	44,850	75,341
Other Income	57,949	-	57,949	9,675
Employee retention tax credit	41,649	-	41,649	50,883
Net assets released from restrictions	1,015,769	(1,015,769)	-	-
Total support and revenue	2,160,496	(406,098)	1,754,398	3,127,458
Expenses				
Program services	1,624,725	-	1,624,725	2,394,244
General and administrative	284,526	-	284,526	173,246
Fundraising	216,841	-	216,841	320,917
Total expenses	2,126,092	-	2,126,092	2,888,407
Nonoperating Activities				
Change in value of beneficial interest	-	111,896	111,896	(110,384)
Change in net assets	34,404	(294,202)	(259,798)	128,667
Net assets, beginning of year	697,058	1,943,975	2,641,033	2,512,366
Net assets, end of year	\$ 731,462	\$ 1,649,773	\$ 2,381,235	\$ 2,641,033

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

OVERTON PARK CONSERVANCY**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2023
(with summarized comparative information for the year ended December 31, 2022)

	Program Services	General and Administrative	Fundraising	Totals	
				2023	2022
Salaries and wages	\$ 305,866	\$ 47,783	\$ 184,894	\$ 538,543	\$ 454,953
Payroll taxes and benefits	40,267	5,559	25,433	71,259	56,620
Park maintenance	324,831	38	-	324,869	406,268
Park improvements	915,164	-	-	915,164	1,612,507
Insurance	-	47,675	-	47,675	48,988
Professional fees	-	80,030	-	80,030	30,750
Advertising and promotion	160	10,177	-	10,337	5,628
Depreciation	5,037	-	-	5,037	1,796
Miscellaneous	369	16,023	62	16,454	57,874
Travel and meals	-	538	-	538	3,011
Development costs	2,367	6,673	3,651	12,691	3,481
Special events	19,368	-	800	20,168	127,059
Postage and printing	2,460	22,780	2,001	27,241	25,010
Communication and internet	182	16,876	-	17,058	10,808
Occupancy costs	-	30,374	-	30,374	43,654
Park events	8,654	-	-	8,654	-
Total expenses	<u>\$ 1,624,725</u>	<u>\$ 284,526</u>	<u>\$ 216,841</u>	<u>\$ 2,126,092</u>	<u>\$ 2,888,407</u>

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

OVERTON PARK CONSERVANCY**STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2023
(with summarized comparative information for the year ended December 31, 2022)

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (259,798)	\$ 128,667
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used For) Operating Activities:		
Depreciation	5,037	1,796
Change in value of beneficial interest	(111,896)	110,384
Changes in Operating Assets and Liabilities:		
Promises to give	195,908	(203,003)
Other receivables	1,889	39,278
Other assets	(1,095)	(2,669)
Accounts payable	(163,328)	144,721
Accrued payroll and related liabilities	2,222	11,084
Net cash provided by (used for) operating activities	<u>(331,061)</u>	<u>230,258</u>
Cash Flows From Investing Activities:		
Purchases of property and equipment	<u>(879)</u>	<u>(16,936)</u>
Net increase (decrease) in cash and cash equivalents	(331,940)	213,322
Cash and cash equivalents, beginning of year	<u>1,994,106</u>	<u>1,780,784</u>
Cash and cash equivalents, end of year	<u>\$ 1,662,166</u>	<u>\$ 1,994,106</u>
Supplemental Disclosures of Cash Flow Information		
Right-of-use assets obtained in exchange for new operating lease liabilities	<u>\$ -</u>	<u>\$ 137,020</u>

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

OVERTON PARK CONSERVANCY
NOTES TO FINANCIAL STATEMENTS

December 31, 2023
(with summarized comparative information for 2022)

NOTE 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Overton Park Conservancy (the “Conservancy”) is a nonprofit organization founded in 2011 for the purpose of overseeing the revitalization and beautification of Overton Park for the City of Memphis, Tennessee. The Conservancy operates under a management agreement with the City of Memphis as described more fully in Note 7 and is responsible for the planning and implementation of park improvements that will benefit the surrounding community. All improvements made are the property of the City of Memphis, Tennessee.

Basis of Accounting

The financial statements of the Conservancy have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Summarized Comparative Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the 2022 financial statements. Additionally, certain prior-year amounts have been reclassified to conform with the current year presentation. The reclassifications had no impact on previously reported net assets.

Use of Estimates

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

Revenue Recognition

The Conservancy is supported primarily by contributions from the general public and the City of Memphis. Contributions are recognized when cash, other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met.

Revenue derived from cost-reimbursable government grants are contingent upon certain performance requirements and/or the incurrence of allowable qualifying expenditures. Amounts are recognized as revenue when the Conservancy has incurred expenditures in compliance with specific contract provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. At December 31, 2023, the Conservancy has been awarded multi-year cost-reimbursable grant contracts of \$2,981,311, that have not been recognized because qualifying expenditures have not yet been incurred.

Management fees for park management services provided to the City of Memphis are recognized ratably on a monthly basis as services are rendered.

In-Kind Contributions

Donated goods and services are recorded as contributions at their estimated fair values at the date of donation. The corresponding expense is allocated to the appropriate program or supporting service. Donated services are recognized in the financial statements if the services either create or enhance a nonfinancial asset or require specialized skills, are provided by entities or persons possessing those skills, and would need to be purchased if they were not donated. The Conservancy receives a significant amount of donated services from unpaid volunteers who assist with operations and special projects. No amounts have been recognized in the financial statements for these services since the criteria for recognition have not been met. For 2023, in-kind contributions consisted of miscellaneous items totaling \$3,100. These amounts were recorded at their respective fair value at the date of donation. For 2022, in-kind contributions consisted of discounted use of office space totaling \$33,750 and other items totaling \$8,880. The corresponding expense is included in occupancy costs in the statement of functional expenses. The fair value of the office rent was based on market rates for comparable space.

Credit Risks and Concentrations

Deposit concentration risk is managed by placing cash with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed federally insured limits of \$250,000 in the aggregate. To date, the Conservancy has not experienced any losses in such accounts nor does management believe there is any significant credit risk on its deposits. Credit risk associated with promises to give is considered to be limited due to high historical collection rates and because substantial portions of the promises are due from individuals who have been long-time supporters of the mission.

For 2023, two donors accounted for approximately 32% of contributions and grant revenues. For 2022, two donors accounted for approximately 57% of contributions and grant revenues.

At December 31, 2023 and 2022, three donors accounted for approximately 80% and 70%, respectively, of promises to give.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Conservancy considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Long-term promises to give are discounted to the present value of future cash flows using Treasury bill rates for similar term investments (when material). Management provides an allowance for uncollectible promises based upon analysis of individual donor balances and historical loss experience. Promises to give are written off when deemed uncollectible.

Property and Equipment

Property and equipment items are recorded at acquisition cost, if purchased, or the estimated fair value on the date received, if donated. The Conservancy capitalizes assets with a cost of \$1,000 or more and useful lives of one year or more. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets ranging from three to six years. Repairs and maintenance are charged to expense as incurred. Major park improvements are charged to expense and not capitalized, as the managed park area is owned by the City of Memphis.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing programs and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses that are identified with a specific program or support service are charged directly to the appropriate function. Other shared costs have been allocated among the programs and supporting services benefited based on management's estimate of the relative effort expended (employee time) for the related functions.

Fair Value Measurements

The Conservancy reports certain assets at fair value in the financial statements. Fair value is defined under GAAP as an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Conservancy utilizes market data or assumptions that market participants would use in pricing the asset under a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore, requiring an entity to develop its own assumptions. At December 31, 2023 and 2022, assets measured at fair value on a recurring basis consisted of the beneficial interest in assets held by others. See Note 4 for additional information.

Income Taxes

The Conservancy is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Conservancy files an exempt organization return in the U.S. federal jurisdiction.

Date of Management's Review

The Conservancy evaluated its December 31, 2023 financial statements for subsequent events through August 7, 2024, the date the financial statements were available to be issued. The Conservancy is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position, date comprise the following:

	2023	2022
Cash and cash equivalents	\$ 1,662,166	\$ 1,994,106
Promises to give due within one year	73,095	281,003
Other receivables	26	1,915
Less donor purpose restrictions	(887,623)	(1,273,127)
	<u>\$ 847,664</u>	<u>\$ 1,003,897</u>

The Conservancy has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As described in Note 4, the Conservancy can draw upon its beneficial interest in an endowment fund, up to 5% of the fund balance, in the event of an additional liquidity need.

NOTE 3 – PROMISES TO GIVE

Promises to give are estimated to be collected as follows at December 31:

	2023	2022
Due within one year	\$ 73,095	\$ 281,003
Due within one to five years	25,000	13,000
Less allowance for doubtful accounts	(247)	(4,000)
	<u>\$ 98,095</u>	<u>\$ 294,003</u>

NOTE 4 – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

In 2018, the Conservancy and other donors established an endowment fund (the “Fund”) at the Community Foundation of Greater Memphis (“CFGM”) for the purpose of sustaining the Conservancy in perpetuity. The Conservancy has granted CFGM variance power in the assets transferred, which could be exercised if the Conservancy ceases to be a qualified charitable organization, if the Fund’s purpose becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. However, CFGM has agreed that the income and assets of the Fund are to be granted to or used for the sole benefit of the Conservancy. The Fund allows for annual distributions to the Conservancy of up to 5% of the Fund balance. To date, no distributions have been made to the Conservancy.

Since the Conservancy is specified as the beneficiary of the Fund, it has recorded an asset for its beneficial interest in the Fund, based on the fair value of the underlying investments held at CFGM. Changes in the fair value of the Fund are reported in the statement of activities and consist of contributions made directly to the Fund by donors, interest and dividends, realized and unrealized gains and losses, less investment management fees.

The Fund is currently invested in CFGM's balanced pool which consists of approximately 65% equities, 10% money markets and U.S. government obligations, 20% corporate and municipal bonds, and 5% private equity and real estate. The Fund is classified as Level 3 within the fair value hierarchy. Although the majority of the holdings are in securities with quoted prices in active markets, the Conservancy does not have access to the CFGM holdings and therefore does not have any observable inputs for CFGM. The Conservancy does receive quarterly statements which detail its pro-rata interest in the holdings of the pool. At December 31, 2023 and 2022, the balance of the Conservancy's beneficial interest in the Fund was \$682,744 and \$570,848, respectively.

NOTE 5 – LEASES

The Conservancy entered into an operating lease agreement for office space in September 2022. The lease requires 60 monthly base rent payments of \$2,500, with annual increases equal to the greater of 2% or 75% of the percentage increase in the Consumer Price Index. As the amount of the increases are currently not determinable, they are not included in the calculation of the lease liability or future minimum payment schedule below.

For the year ended December 31, 2023, operating lease expense totaled \$30,000 and cash paid for operating leases totaled \$30,000. At December 31, 2023, the remaining lease term was approximately 3.7 years. The Conservancy has elected to use the risk-free discount rate with a maturity closest to the lease term at lease inception, which was 3.62%.

Future minimum rental payments for the years ending December 31, are as follows:

2024	\$	30,000
2025		30,000
2026		30,000
2027		20,000
Total undiscounted cash flows		110,000
Less: effects of discounting		(7,133)
Total lease liabilities	\$	<u>102,867</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows at December 31:

	<u>2023</u>	<u>2022</u>
Purpose Restrictions:		
Golf course	\$ 368,898	\$ 770,241
Overton Park Junior Open	60,538	50,000
Parking improvements	434,187	452,886
Rainbow Lake Playground	24,000	-
Total purpose restrictions	887,623	1,273,127
Time restrictions	79,406	100,000
Beneficial interest in assets held by others	682,744	570,848
	<u>\$ 1,649,773</u>	<u>\$ 1,943,975</u>

NOTE 7 – MANAGEMENT AGREEMENT

The Conservancy has a management agreement with the City of Memphis for the operation, protection, enhancement, and development of Overton Park. The agreement expires on January 1, 2032. All improvements, construction, landscaping projects, and other permanent changes are subject to approval by the City of Memphis. The agreement provides for annual operating support of \$150,000, subject to the annual appropriation of funds by the Memphis City Council. Management fees received from the City of Memphis totaled \$150,000 for both 2023 and 2022.

NOTE 8 – RELATED PARTY TRANSACTION

In 2023, the Conservancy paid an organization associated with a board member \$25,000 for professional consulting services.