

HUDSON RIVER PARK TRUST
Financial Statements
March 31, 2005
(With Independent Auditor's Report Thereon)

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Hudson River Park Trust:

We have audited the accompanying statement of financial position of Hudson River Park Trust (the Trust) as of March 31, 2005 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Trust's 2004 financial statements and, in our report dated July 13, 2004, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2 these financial statements were prepared in accordance with the accounting practices prescribed or permitted by the City and State of New York, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hudson River Park Trust as of March 31, 2005 and the changes in its net assets and its cash flows for the year then ended, on the basis of accounting described in Note 2.

In accordance with Government Auditing Standards, we have also issued our report dated July 28, 2005, on our consideration of the Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Hudson River Park Trust taken as a whole. The supplementary information included in Schedule 1 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Toski, Schaefer & Co., P.C.

Williamsville, New York
July 28, 2005

HUDSON RIVER PARK TRUST

Statement of Financial Position

March 31, 2005

with comparative totals for 2004

<u>Assets</u>	<u>2005</u>	<u>2004</u>
Cash and equivalents	\$ 12,550,733	19,684,564
Investments	31,780,496	22,193,068
Accounts receivable	4,520,821	4,816,303
Prepaid expenses	56,799	59,466
Deferred rent receivable	3,598,178	4,231,402
Construction in progress	74,787,095	43,399,414
Property and equipment, net	<u>65,167,163</u>	<u>58,905,213</u>
Total assets	<u>\$ 192,461,285</u>	<u>153,289,430</u>
 <u>Liabilities and Net Assets</u> 		
Liabilities:		
Accounts payable	10,181,873	2,626,787
Accrued expenses	<u>1,112,416</u>	<u>4,836,702</u>
Total liabilities	<u>11,294,289</u>	<u>7,463,489</u>
Net assets:		
Unrestricted	181,069,752	145,725,941
Temporarily restricted	<u>97,244</u>	<u>100,000</u>
Total net assets	<u>181,166,996</u>	<u>145,825,941</u>
Commitments and contingencies (notes 7 and 10)	<u>-</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 192,461,285</u>	<u>153,289,430</u>

See accompanying notes to financial statements.

HUDSON RIVER PARK TRUST

Statement of Activities
 Year ended March 31, 2005
 with comparative totals for 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2005</u>	<u>2004</u>
Operating revenues:				
Appropriations revenue	\$ -	29,097,954	29,097,954	20,677,593
Reimbursement	3,096,667	-	3,096,667	666,768
Lease revenues	5,965,491	-	5,965,491	8,303,581
Parking revenues	5,713,596	-	5,713,596	1,665,515
Federal grant	2,600,000	-	2,600,000	-
Other revenues	840,374	-	840,374	726,157
Contributions	82,188	250,000	332,188	102,466
	<u>18,298,316</u>	<u>29,347,954</u>	<u>47,646,270</u>	<u>32,142,080</u>
Net assets released from restrictions	<u>29,350,710</u>	<u>(29,350,710)</u>	<u>-</u>	<u>-</u>
	<u>47,649,026</u>	<u>(2,756)</u>	<u>47,646,270</u>	<u>32,142,080</u>
Total support and revenue				
Operating expenses:				
Employee compensation and benefits	3,676,167	-	3,676,167	3,425,532
Park programs and maintenance	4,152,271	-	4,152,271	2,704,619
General and administrative	3,381,222	-	3,381,222	2,487,115
	<u>11,209,660</u>	<u>-</u>	<u>11,209,660</u>	<u>8,617,266</u>
Income (loss) from operations before depreciation and amortization	36,439,366	(2,756)	36,436,610	23,524,814
Depreciation and amortization	<u>1,743,117</u>	<u>-</u>	<u>1,743,117</u>	<u>1,558,549</u>
Income (loss) from operations	34,696,249	(2,756)	34,693,493	21,966,265
Non-operating revenues - interest income	<u>647,562</u>	<u>-</u>	<u>647,562</u>	<u>675,015</u>
Increase (decrease) in net assets	35,343,811	(2,756)	35,341,055	22,641,280
Net assets at beginning of year	<u>145,725,941</u>	<u>100,000</u>	<u>145,825,941</u>	<u>123,184,661</u>
Net assets at end of year	<u>\$ 181,069,752</u>	<u>97,244</u>	<u>181,166,996</u>	<u>145,825,941</u>

See accompanying notes to financial statements.

HUDSON RIVER PARK TRUST

Statement of Cash Flows Year ended March 31, 2005 with comparative totals for 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Increase in net assets	\$ 35,341,055	22,641,280
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,743,117	1,558,549
Loss on disposal of asset	19,237	-
Changes in:		
Accounts receivable	295,482	7,643,564
Prepaid expenses	2,667	82,932
Deferred rent receivable	633,224	680,913
Accounts payable	7,555,086	(1,273,094)
Accrued expenses	(3,724,286)	3,187,777
Net cash provided by operating activities	<u>41,865,582</u>	<u>34,521,921</u>
Cash flows from investing activities:		
(Increase) decrease of investments	(9,587,428)	4,784,829
Expenditures for construction in progress	(31,387,681)	(21,664,267)
Other additions to property and equipment	(8,024,304)	(488,753)
Net cash used in investing activities	<u>(48,999,413)</u>	<u>(17,368,191)</u>
Net increase (decrease) in cash and equivalents	(7,133,831)	17,153,730
Cash and equivalents at beginning of year	<u>19,684,564</u>	<u>2,530,834</u>
Cash and equivalents at end of year	<u>\$ 12,550,733</u>	<u>19,684,564</u>

See accompanying notes to financial statements.

HUDSON RIVER PARK TRUST

Notes to Financial Statements

March 31, 2005

(1) Organization

Hudson River Park Trust (the Trust) is a public benefit corporation authorized under the Hudson River Park Act (the Act) approved by the Senate and the Assembly of the State of New York (the State). The Act also created the Hudson River Park (the Park). The Park is an area, generally, from the northern boundary of Battery Place to the northern boundary of 59th Street in New York City (the City) between the United States pier-head line and West Street, Eleventh Avenue, or Twelfth Avenue, whichever is more westerly. As a public benefit corporation, the Trust is exempt from any and all Federal, State and City income and franchise taxes and sales taxes.

The Trust has authority over the planning, construction, operation, and maintenance of the Park. It replaces such authority formerly granted to the New York State Department of Transportation, the New York State Urban Development Corporation, and the Hudson River Park Conservancy. In doing so, the Trust succeeded its predecessors in all contracts, leases, licenses, and other obligations related to the Park, excluding debt and financial obligations to other public benefit corporations or governmental entities.

The Trust is a joint venture of the City and the State. Under the Act, the State and City, with respect to its real property in the Park, granted the Trust a possessory interest in such real property for a term not to exceed 99 years. Title to any real property within the Park currently held by the State or the City remains with those entities.

The Trust's Board is comprised of 13 members. The Governor and the Mayor each appointed five members and the Manhattan Borough President appointed three members. The Trust came into existence upon the appointment of eight of its 13 member board. The first eight appointments occurred on March 4, 1999. Accordingly, the by-laws of the Trust established the fiscal year as April 1st through March 31st.

To finance the construction of the park, the State and the City have each pledged \$100 million to the Trust, as of March 31, 2005 the amount which has not been drawn down is approximately \$70 million. In addition, the Trust will receive revenues from leases and interest on short-term investments. Furthermore, the Trust has authority to accept contributions for its purpose and to accept appropriations and grants from federal, state and local governments.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements of the Trust have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as modified by New York State and City of New York regarding the definition of capital expenditures. Such definition excludes salaries of employees of the Trust directly or indirectly involved with managing or accounting for construction activities. Such costs would be capitalizable, as construction in progress, under accounting principles generally accepted in the United States of America.

HUDSON RIVER PARK TRUST
Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies

(b) Basis of Presentation

The Trust follows Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Trust is required to report 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. The trust had no permanently restricted net assets. Accordingly, net assets of the Trust and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to stipulations and may be used for any purpose designated by the Trust.

Temporarily restricted net assets - Net assets restricted to specific capital expenditures authorized by the Act and net assets subject to donor-imposed stipulations that may or will be met either by actions of the Trust and/or the passage of time.

(c) 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.

(d) Cash and Equivalents

For purposes of the statement of cash flows, cash and equivalents includes money market accounts and any highly liquid debt instruments purchased with maturity of three months or less.

(e) Accounts Receivable

Accounts receivable are comprised of amounts due on leases and reimbursable construction costs from the State of New York and New York City.

(f) Construction in Progress

Construction in progress includes all costs and expenditures incurred for suppliers and contractors associated with the planning, development, and construction of the Park as authorized by the Act. These expenditures include the costs of environmental studies necessary for obtaining offshore permits, design and engineering costs, and legal costs related to the construction of the Park.

(g) Capitalization and Depreciation

Property and equipment are recorded at cost or at fair market value in the case of donated equipment. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

HUDSON RIVER PARK TRUST
Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(h) Revenue Recognition

Appropriations revenues are recognized upon requisition by the Trust for identified approved capital commitments. Such revenue is restricted to specific capital expenditures authorized by the Act. Lease revenues are recognized as rentals become due over the life of the lease. Rental payments received in advance are deferred until earned. Escalations based upon consumer price indices are recognized prospectively over the remainder of the lease. All leases between the Trust and the tenants of the property are operating leases. Lease revenues and other revenues may be used for trust operations, as well as for capital expenditures.

(i) Advertising Costs

The Trust expenses advertising costs as incurred. Advertising costs for the years ended March 31, 2005 and 2004, amounted to \$113,474 and \$134,205, respectively.

(j) Income Taxes

The Trust is exempt from all federal and state income taxes under the provisions of enabling legislation, therefore, no provision for income taxes is reflected in the financial statements.

(k) Reclassifications

Reclassifications have been made to certain 2004 balances in order to conform them to the 2005 presentation.

(3) Investments

Investments are classified as available for sale. Unrealized gains or losses are not considered material. The investments are carried at cost, which approximates market value. The cost of investments in marketable securities at March 31, 2005 and 2004 is summarized as follows:

	<u>2005</u>	<u>2004</u>
U.S. Government obligations	\$ 7,893,687	19,350,000
Commercial paper	23,812,713	2,753,000
Cash and equivalents	<u>74,096</u>	<u>90,068</u>
Total investments	\$ <u>31,780,496</u>	<u>22,193,068</u>

HUDSON RIVER PARK TRUST
Notes to Financial Statements, Continued

(4) Property and Equipment

Property and equipment at March 31, 2005 and 2004 consist of the following:

	<u>Lives</u>	<u>2005</u>	<u>2004</u>
Pier improvements	10-50 years	\$ 67,996,412	60,208,906
Machinery and equipment	7 years	494,746	354,513
Computer equipment	5 years	425,802	379,945
Software	3 years	141,485	141,485
Automobiles	5 years	203,165	233,222
Furniture and fixtures	5 years	190,658	140,350
Office renovation	5 years	<u>259,508</u>	<u>259,108</u>
Total property and equipment		69,711,776	61,717,529
Less accumulated depreciation and amortization		<u>(4,544,613)</u>	<u>(2,812,316)</u>
Net property and equipment		\$ <u>65,167,163</u>	<u>58,905,213</u>

(5) Deferred Rent Receivable

Deferred rent receivable represents rent deferred from a lessee, under the lease agreement, to the end of deferral period, June 30, 1999. The lessor converted the obligation to a term loan, payable over 10 years at an interest rate of 5%. The amount due is recorded at its gross value. The balance at March 31, 2005 and 2004, amounted to \$3,558,738 and \$4,023,272, respectively. The present value is not considered materially different using current interest rates. Additionally, the Trust has agreed to extend payment over two years to a tenant seriously affected by the events of September 11. A total of \$447,118 is to be paid to the Trust in monthly installments. The balance owed to the Trust at March 31, 2005 and 2004 amounted to \$39,440 and \$208,130, respectively.

(6) Related Party Transactions

Related party transactions for the years ended March 31, 2005 and 2004 consist of the following:

(a) Affiliates of New York State and the City of New York

The Trust was due monies related to leases to which it succeeded from the date of dedication of the park by the Act to March 31, 2000.

The Trust has an investment management agreement with the New York State Urban Development Corporation, doing business as the Empire State Development Corporation, (the ESDC). Under the agreement, the Trust transfers funds not immediately need to an account jointly controlled by the Trust and the ESDC. The ESDC has discretionary authority to invest the monies in compliance with the State's Investment Guidelines for Public Authorities. At March 31, 2005 and 2004, the total investment amounted to \$31,780,496 and \$22,193,068, respectively.

HUDSON RIVER PARK TRUST
Notes to Financial Statements, Continued

(6) Related Party Transactions, Continued

(a) Affiliates of New York State and the City of New York, Continued

At March 31, 2005 and 2004, the Trust had requested \$2,982,105 and \$2,740,051, respectively, of funds appropriated by the State and City in accordance with the Act for the value of construction contracts authorized to date. At March 31, 2005 and 2004, such amounts are included in accounts receivable in the accompanying statement of financial position.

The Trust succeeded, as lessor, to a month-to-month operating lease with the Port Authority of New York and New Jersey calling for no monthly rental payment

(b) New York State Related Parties

As a result of the Act, the Trust succeeded to several leases held by New York City agencies. Prior to 2002, those agencies collected the rents directly and remitted them to the Trust periodically. As of January 1, 2002, the Trust began billing and collects from the tenants directly. The New York City Economic Development Corporation (NYCEDC) collects rents under percentage leases and remits the monies to the Trust semi-annually. For the years ended March 31, 2005 and 2004, the Trust collected \$184,338 and \$294,272 from the City for such leases.

The Trust succeeded, as lessor, to month-to-month operating leases with The City's Department of Sanitation, New York City Transit and Battery Park City Authority calling for no rental payments, or nominal payments, per month.

The Trust succeeded, as lessor, to a month-to-month operating lease with the New York City Fire Department calling for rental payments of \$4,000 per month.

The Trust has an agreement for property maintenance services with the New York State Department of Transportation. At March 31, 2005 and 2004, the amount included in accounts receivable in the accompanying statement of financial position amounted to \$112,637 and \$704,062, respectively.

The Trust has a license agreement with the City of New York Department of Citywide Administrative Services for the use of approximately 94,958 square feet of office and storage space to be used by the New York City Police Department. At March 31, 2005 and 2004, the amount included in accounts receivable in the accompanying statement of financial position amounted to \$211,021 and \$316,418, respectively.

All lease revenue is considered unrestricted.

(7) Commitments

Commitments at March 31, 2005 and 2004 consist of the following:

(a) Equipment Leases

The Trust leases certain equipment under non-cancelable month-to-month and other non-cancelable operating leases with remaining terms of 12 months or less. Included in general and administrative expenses for the years ended March 31, 2005 and 2004, was \$130,545 and \$121,617 for equipment, included in park programs and maintenance, respectively.

HUDSON RIVER PARK TRUST
Notes to Financial Statements, Continued

(7) Commitments, Continued

(a) Equipment Leases, Continued

The Trust has also entered into various long-term equipment leases used for operations, the following is a schedule of future minimum payments required under the above-mentioned leases as of March 31, 2005:

2006	\$ 86,923
2007	82,039
2008	57,132
2009	25,939
2010	<u>80</u>
	\$ <u>252,113</u>

(b) Tenant Leases

The Trust succeeded, as lessor, to several month-to-month and other non-cancelable operating leases with terms of 12 months or less from State and City sources. The revenue under these leases for the years ended March 31, 2005 and 2004 amounted to \$2,238,811 and \$2,783,591, respectively.

The Trust also succeeded as lessor, to long-term (more than twelve months) non-cancelable leases. The revenue received under these leases for the years ended March 31, 2005 and 2004 amounted to \$3,726,680 and \$5,519,990, respectively.

Minimum rental payments to be received under the long-term lease agreements as of March 31, 2005, are as follows:

2006	\$ 4,168,569
2007	4,139,769
2008	3,953,796
2009	3,922,293
2010	<u>3,790,476</u>
	\$ <u>19,974,903</u>

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets at March 31, 2005 and 2004 represent funds in the amount of \$97,244 and \$100,000 received from the New York Committee of the Garden Club of America, which is restricted to seasonal plantings.

(9) Pension Plan

The employees of the Trust are members of the New York State pension system. For the year ended March 31, 2005 and 2004, the contribution required amounted to \$262,060 and \$105,478, respectively. Additionally, the Trust maintains a deferred compensation plan, to which only the employees contribute.

(10) Contingencies

The Trust is involved in various claims and lawsuits, both for and against the Trust, arising in the normal course of business. Management believes that any financial responsibility that may be incurred in settlement of such claims and lawsuits would not be material to the Trust's financial position.

HUDSON RIVER PARK TRUST
Schedule of Expenditures of Federal Awards
March 31, 2005

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantors' Number/ Program</u>	<u>Federal Expenditures</u>
Department of Housing and Urban Development - passed through Lower Manhattan Development Corporation - Community Development Block Grants/State's Program	14.228	C-2532	\$ <u>2,600,000</u>

Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of Hudson Park River Trust and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.