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INDEPENDENT AUDITORS' REPORT

Board of Directors
Wave Hill Incorporated

We have audited the accompanying financial statements of **Wave Hill Incorporated** (a nonprofit organization) which comprise the statement of financial position as of June 30, 2013 and 2012 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 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 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 **Wave Hill Incorporated** as of June 30, 2013 and 2012 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.

Phillips Gold and Company, LLP

PHILLIPS GOLD AND COMPANY, LLP

New York, New York
December 31, 2013

WAVE HILL INCORPORATED
STATEMENTS OF FINANCIAL POSITION
JUNE 30,

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 2,500,809	\$ 2,588,954
Marketable and other securities	15,161,988	13,555,156
Pledges receivable	-	50,000
Grants and other receivables	685,261	585,400
Inventory	80,906	94,079
Prepaid expenses and other current assets	125,600	181,762
Beneficial interest in split interest agreements	141,003	1,487,394
Buildings, improvements and equipment	4,317,241	3,236,736
Works of art - unrestricted	247,920	247,920
Work of art - restricted for use in horticulture	18,000	18,000
TOTAL ASSETS	\$ 23,278,728	\$ 22,045,401
 LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 516,386	\$ 397,727
TOTAL LIABILITIES	516,386	397,727
 NET ASSETS		
Unrestricted	5,300,932	4,342,194
Temporarily restricted:		
Operating	633,697	1,586,768
Endowment	16,827,713	15,718,712
	17,461,410	17,305,480
TOTAL NET ASSETS	22,762,342	21,647,674
TOTAL LIABILITIES AND NET ASSETS	\$ 23,278,728	\$ 22,045,401

WAVE HILL INCORPORATED
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	<u>Temporarily Restricted</u>			
	<u>Unrestricted</u>	<u>Operating</u>	<u>Endowment</u>	<u>Total</u>
Revenues, gains, and other support:				
Contributions and grants	\$ 1,479,185	\$ 233,476		\$ 1,712,661
Appropriations by the Department of Cultural Affairs of the City of New York	1,113,018			1,113,018
Board designated endowment funds			\$ 150	150
Special Events - net of direct expenses of \$214,246	584,295			584,295
Trust income	121,480			121,480
Membership dues	164,109			164,109
Sales of plants, books, etc.	238,136			238,136
Location fees and rentals	45,452			45,452
Gate admissions	74,358			74,358
Course and workshop fees	60,544			60,544
Food services	18,180			18,180
Other	63,561			63,561
Dividends and interest	6,824	-	285,474	292,298
Realized gains on sales of assets		-	700,241	700,241
Net assets released from restrictions:				-
Expiration of time	173,162	(173,162)		-
Accomplishment of purpose	1,013,385	(1,013,385)	-	-
	<u>5,155,689</u>	<u>(953,071)</u>	<u>985,865</u>	<u>5,188,483</u>
Expenses:				
Educational services	792,477			792,477
Performing arts	6,408			6,408
Exhibitions	338,136			338,136
Horticulture	963,388			963,388
Security, maintenance and utilities	838,380			838,380
Membership activities and community services	1,028,954			1,028,954
Management and general	1,020,666		115,177	1,135,843
Development	415,487	-	-	415,487
TOTAL EXPENSES BEFORE DEPRECIATION	<u>5,403,896</u>	<u>-</u>	<u>115,177</u>	<u>5,519,073</u>
Depreciation	213,189	-	-	213,189
TOTAL EXPENSES	<u>5,617,085</u>	<u>-</u>	<u>115,177</u>	<u>5,732,262</u>
(Decrease) Increase in Net Assets before unrealized appreciation in marketable and other securities	(461,396)	(953,071)	870,688	(543,779)
Unrealized appreciation in marketable and other securities			1,658,447	1,658,447
(Decrease) Increase in Net Assets	(461,396)	(953,071)	2,529,135	1,114,668
Net Assets - Beginning	4,342,194	1,586,768	15,718,712	21,647,674
Transfers From Endowment	920,134	-	(920,134)	-
Transfers to Board Designated Cash Reserve	500,000	-	(500,000)	-
Net Assets - Ending	<u>\$ 5,300,932</u>	<u>\$ 633,697</u>	<u>\$ 16,827,713</u>	<u>\$ 22,762,342</u>

WAVE HILL INCORPORATED
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted		Total
		Operating	Endowment	
Revenues, gains, and other support:				
Contributions and grants	\$ 1,481,670	\$ 327,461	\$	1,809,131
Appropriations by the Department of Cultural Affairs of the City of New York	1,079,661			1,079,661
Board designated endowment funds	-	\$	2,000	2,000
Special Events - net of direct expenses of \$186,730	588,004			588,004
Trust income	116,362			116,362
Membership dues	170,128			170,128
Sales of plants, books, etc.	280,258			280,258
Location fees and rentals	32,883			32,883
Gate admissions	86,942			86,942
Course and workshop fees	58,917			58,917
Food services	20,538			20,538
Other	68,784			68,784
Dividends and interest	6,567	*	214,193	220,760
Realized (loss) on sales of assets	(20,042)	*	(62,847)	(82,889)
Net assets released from restrictions:				
Expiration of time	15,919	(15,919)		*
Accomplishment of purpose	<u>1,786,428</u>	<u>(1,786,428)</u>	<u>-</u>	<u>-</u>
	<u>5,773,019</u>	<u>(1,474,886)</u>	<u>153,346</u>	<u>4,451,479</u>
Expenses:				
Educational services	758,686			758,686
Performing arts	9,783			9,783
Exhibitions	340,614			340,614
Horticulture	888,461			888,461
Security, maintenance and utilities	763,318			763,318
Membership activities and community services	1,062,841			1,062,841
Management and general	852,887		109,044	961,931
Development	<u>482,745</u>	<u>-</u>	<u>-</u>	<u>482,745</u>
TOTAL EXPENSES BEFORE DEPRECIATION	5,159,335	*	109,044	5,268,379
Depreciation	<u>216,585</u>	<u>-</u>	<u>-</u>	<u>216,585</u>
TOTAL EXPENSES	<u>5,375,920</u>	<u>-</u>	<u>109,044</u>	<u>5,484,964</u>
Increase (Decrease) in Net Assets before unrealized depreciation in marketable and other securities and change in value of split interest agreements	397,099	(1,474,886)	44,302	(1,033,485)
Unrealized depreciation in marketable and other securities	-	*	(310,347)	(310,347)
Change in value of split interest agreements	<u>-</u>	<u>-</u>	<u>(63,743)</u>	<u>(63,743)</u>
Increase (Decrease) in Net Assets	397,099	(1,474,886)	(329,788)	(1,407,575)
Net Assets - Beginning	2,917,748	3,061,654	17,075,847	23,055,249
Transfers From Endowment	<u>1,027,347</u>	<u>-</u>	<u>(1,027,347)</u>	<u>-</u>
Net Assets - Ending	<u>\$ 4,342,194</u>	<u>\$ 1,586,768</u>	<u>\$ 15,718,712</u>	<u>\$ 21,647,674</u>

WAVE HILL INCORPORATED
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30,

	2013	2012
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 1,114,668	\$ (1,407,575)
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) operating activities:		
Donated securities	(98,224)	(135,246)
Depreciation expense	213,189	216,585
Unrealized (appreciation) depreciation on marketable and other securities	(1,658,447)	310,347
Decrease in value of split interest agreement	-	63,743
Realized (gains) losses on sales of marketable and other securities	(510,471)	66,209
Realized (gain) on split interest agreements	(189,770)	-
Loss on disposal of buildings, improvements and equipment	-	16,680
(Increase) decrease in grants and other receivables	(99,861)	152,657
Decrease (increase) in inventory	13,173	(9,931)
Decrease (increase) in prepaid expenses	56,162	(87,710)
Increase in accounts payable and accrued expenses	118,659	137,519
Net cash (used in) operating activities	(1,040,922)	(676,722)
Cash flows from investing activities		
Purchases of buildings, improvements and equipment	(1,293,694)	(1,592,518)
Proceeds from split interest agreements	1,536,161	5,919
Proceeds from sales of marketable and other securities	1,567,699	3,310,836
Purchases of marketable and other securities	(907,389)	(1,854,468)
Net cash provided by (used in) investing activities	902,777	(130,231)
Cash flows from financing activities		
Repayment of note payable	-	(7,928)
Collections in pledges receivable	50,000	84,015
Cash provided by financing activities	50,000	76,087
Net (decrease) in cash	(88,145)	(730,866)
Cash and equivalents - beginning of year	2,588,954	3,319,820
Cash and equivalents - end of year	\$ 2,500,809	\$ 2,588,954

WAVE HILL INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013

	PROGRAM SERVICES						SUPPORTING SERVICES			TOTAL	
	Educational Services	Performing Arts	Exhibition	Horticulture	Security, Maintenance and Utilities	Membership Activities and Community Services	Total Program Services	Management and General	Development	Total Supporting Services	2013
Salaries	\$ 454,901	\$ -	\$ 150,833	\$ 593,239	\$ 411,403	\$ 485,601	\$ 2,095,977	\$ 522,040	\$ 283,162	\$ 805,202	\$ 2,901,179
Payroll taxes and fringe benefits	195,468	-	49,385	250,818	150,505	202,123	848,299	154,896	84,101	238,997	1,087,296
Total salaries, payroll taxes and fringe benefits	650,369	-	200,218	844,057	561,908	687,724	2,944,276	676,936	367,263	1,044,199	3,988,475
Fees and stipends	44,285	2,848	59,945	4,555	7,894	26,485	146,012	141,894	-	141,894	287,906
Cost of merchandise sold	-	-	-	-	-	121,033	121,033	-	-	-	121,033
Telephone	6,499	-	3,250	3,250	9,749	9,749	22,748	4,874	4,874	9,748	32,496
Postage and shipping	1,512	-	13,074	98	13,437	13,437	28,121	1,112	6,449	7,561	35,682
Contractual services and supplies	43,357	3,385	31,996	93,922	254,855	39,533	467,048	23,877	19,904	43,781	510,829
Printing and artwork	5,712	-	15,707	2,011	475	47,752	71,657	-	8,143	8,143	79,800
Advertising, dues and subscriptions	594	-	548	436	188	18,168	19,934	2,083	2,195	4,278	24,212
Travel and conferences	1,199	175	415	2,076	77	1,968	5,910	3,847	167	4,014	9,924
Insurance	36,950	-	12,983	12,983	12,983	36,950	116,849	6,492	6,492	12,984	129,833
Professional fees	-	-	-	-	-	-	-	161,463	-	161,463	161,463
Utilities	-	-	-	-	-	-	-	112,297	-	112,297	112,297
General operating expenses	792,477	6,408	338,136	963,368	838,360	1,028,954	3,967,743	1,135,843	415,487	1,551,330	5,519,073
						24,155	24,155	968	-	968	25,123
						24,155	24,155	968	-	968	25,123

See notes to financial statements.

WAVE HILL INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012

	PROGRAM SERVICES						SUPPORTING SERVICES			TOTAL EXPENSES	
	Educational Services	Performing Arts	Exhibition	Horticulture	Security, Maintenance and Utilities	Membership Activities and Community Services	Total Program Services	Management and General	Development	Total Supporting Services	
Salaries	\$ 435,491	\$ -	\$ 151,924	\$ 499,518	\$ 350,008	\$ 523,821	\$ 1,961,763	\$ 522,157	\$ 343,465	\$ 865,622	\$ 2,827,385
Payroll taxes and fringe benefits	190,709	-	49,606	247,911	148,014	209,706	843,946	154,362	86,806	241,168	1,085,114
Total salaries, payroll taxes and fringe benefits	627,200	-	201,530	747,429	498,023	733,527	2,805,709	676,519	430,271	1,106,790	3,912,499
Fees and stipends	49,177	4,789	72,913	2,163	5,217	100	134,359	113,242	-	113,242	247,601
Cost of merchandise sold	5,763	-	-	-	-	133,942	133,942	-	-	-	133,942
Telephone	1,206	-	2,882	2,882	-	8,645	20,172	4,337	4,329	8,666	28,838
Postage and shipping	38,576	4,994	11,536	1,256	-	12,152	26,150	920	7,576	8,496	34,646
Contractual services and supplies	4,387	-	19,778	118,699	251,490	59,856	493,393	29,309	21,610	50,919	544,312
Printing and artwork	604	-	20,527	873	-	39,338	65,125	-	7,780	7,780	72,905
Advertising, dues and subscriptions	389	-	327	1,103	91	16,123	18,248	2,730	5,510	8,240	26,488
Travel and conferences	31,384	-	660	3,595	36	2,847	7,327	3,758	439	4,197	11,524
Insurance	-	-	10,461	10,461	-	31,382	94,149	5,230	5,230	10,460	104,609
Professional fees	-	-	-	-	-	-	-	37,684	-	37,684	37,684
Utilities	-	-	-	-	-	-	-	87,288	-	87,288	87,288
General operating expenses	758,686	9,783	340,614	888,461	783,318	1,062,841	3,823,703	961,931	482,745	1,444,676	5,268,379
						25,129	25,129	914	-	914	26,043

See notes to financial statements.

WAVE HILL INCORPORATED
NOTES TO FINANCIAL STATEMENTS

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Wave Hill Incorporated ("Wave Hill") is a New York City cultural institution located in Riverdale, N.Y., whose mission is to celebrate the artistry and legacy of its gardens and landscapes, to preserve the magnificent views, and to explore human connections to the natural world through programs in horticulture, education and the arts. The organization is supported primarily through donor contributions, grants and The City of New York through the Department of Cultural Affairs.

Contributions

Contributions and grants are recognized when the donor makes a promise to give that is, in substance, unconditional. Wave Hill reports gifts of cash and other assets as restricted support if they are received with donor stipulations limiting the use of the donation. When a donor restriction expires, either through the passage of time or accomplishment of the restricted purpose, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Restricted assets received in the current period for which the terms of the restriction have been met, are recorded as unrestricted net assets in the accompanying Statement of Activities.

Wave Hill records donations of publicly traded securities at the fair market value at the date of the gift. Works of art are recorded at fair market value at the date of gift as determined by independent appraisal.

Gifts of long lived assets with explicit restrictions that specify how the assets are to be used are reported as restricted support.

Inventory

Inventory consists of books, calendars, apparel and other gift items. Inventory is valued at the lower of cost or market using the retail method.

Net Asset Classifications

Wave Hill reports information regarding its financial position and activities according to two classes of net assets: unrestricted and temporarily restricted.

- Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have been fulfilled. For 2013, unrestricted net assets includes \$500,000 of a board designated cash reserve fund (see note 5).
- Temporarily restricted net assets are classified into two categories: operating and endowment. Temporarily restricted net assets-operating contains donor imposed restrictions that permit Wave Hill to use or expend the assets as specified by the donor. The restrictions are satisfied either by the passage of time or the accomplishment of purpose. Temporarily restricted net assets-endowment includes funds contributed by donors to the Board designated endowment fund and restricted as to purpose by the donors.

WAVE HILL INCORPORATED
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Improvements and Equipment

Capital improvements and equipment are stated at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets which range from five to twenty years.

Income Taxes

Wave Hill is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The organization's forms 990, *Return of Organization Exempt from Income Tax*, for the years ending June 30, 2010 through 2012, are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Cash and Equivalents

Wave Hill considers cash and investments with a maturity of three months or less, at the time of purchase, as cash and equivalents.

Marketable and Other Securities

Marketable and other securities consist of publicly traded securities, limited partnership interests and other non-readily marketable investment vehicles. Investments are valued at fair value. Fair value is 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. See Note 4 for a discussion of fair value at the measurement date.

Use of Estimates

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

NOTE 2 - BUILDINGS, CAPITAL IMPROVEMENTS, EQUIPMENT AND EXPENDITURES BY THE CITY OF NEW YORK

The property known as Wave Hill is owned by The City of New York (the "City"). The City, through the Department of Cultural Affairs, supports the operations of Wave Hill through an annual appropriation. In addition, the City made direct payments to providers of heat and power in the amount of \$112,297 (2013) and \$87,288 (2012). The City directly contributed \$65,734 (2013) and \$57,140 (2012) for pension plan payments to the Cultural Institutions Retirement System and \$280,473 (2013) and \$314,690 (2012) for employee health insurance premiums. These amounts are included in Appropriations by the Department of Cultural Affairs of the City of New York and as charges to utilities and fringe benefits, respectively, on the accompanying Statement of Activities. Wave Hill received approximately 25% of its revenues, gains and other support from the City.

The value of the properties, and costs connected with the restoration and rehabilitation of several of the buildings which were paid directly by the City, are not included in the accompanying financial statements inasmuch as the properties are owned by the City and not by Wave Hill.

WAVE HILL INCORPORATED
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - BUILDINGS, CAPITAL IMPROVEMENTS, EQUIPMENT AND EXPENDITURES BY THE CITY OF NEW YORK (Continued)

During the years ended June 30, 2013 and 2012, the City expended \$1,409,159 and \$2,468,051, respectively, for capital projects at Wave Hill. Cumulative capital expenditures made by the City were \$15,938,116 and \$14,528,957 through June 30, 2013 and 2012, respectively. These amounts are not included in the accompanying financial statements.

Additionally, Wave Hill has expended funds for capital improvements in certain buildings and on the grounds. These capital improvements, which are also owned by the City, are included in buildings, improvements and equipment in the accompanying financial statements.

Expenditures made by Wave Hill for capital improvements and equipment consist of the following:

	June 30,	
	2013	2012
Capital improvements	\$5,662,143	\$4,449,564
Equipment	<u>459,601</u>	<u>380,474</u>
	6,121,744	4,830,038
Less: accumulated depreciation	<u>(1,804,503)</u>	<u>(1,593,302)</u>
	<u>\$4,317,241</u>	<u>\$3,236,736</u>

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable at June 30, 2012, consist of amounts pledged to Wave Hill for the renovation of the Wave Hill House. The amounts pledged were fully collected during the year ended June 30, 2013.

NOTE 4 - FAIR VALUE MEASUREMENTS

Wave Hill has adopted the provisions of ASC 820 which outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements. ASC 820 describes the fair value hierarchy as follows:

- Level 1 – Inputs are unadjusted quoted prices in active markets for identical assets that can be accessed at the measurement date.
- Level 2 – Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

WAVE HILL INCORPORATED
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

- Level 3 - Unobservable inputs that reflect assumptions about what market participants would use in pricing the asset. These inputs would be based on the best information available, including the Organization's own data.

The following table shows the fair value of Wave Hill's financial assets consisting of marketable and other securities at June 30,

	2013			Total
	Level 1	Level 2	Level 3	
Common stocks and mutual funds	\$ 10,736,137	\$ -	\$ -	\$ 10,736,137
Investments in limited partnerships and non-readily marketable securities	-	-	4,425,851	4,425,851
Beneficial interests in split interest agreements	-	-	141,003	141,003
	<u>\$ 10,736,137</u>	<u>\$ -</u>	<u>\$ 4,566,854</u>	<u>\$ 15,302,991</u>

	2012			Total
	Level 1	Level 2	Level 3	
Common stocks, mutual funds and U.S. Government Securities	\$ 9,545,872	\$ -	\$ -	\$ 9,545,872
Investments in limited partnerships and non-readily marketable securities	-	-	4,009,284	4,009,284
Beneficial interests in split interest agreements	-	-	1,487,394	1,487,394
	<u>\$ 9,545,872</u>	<u>\$ -</u>	<u>\$ 5,496,678</u>	<u>\$ 15,042,550</u>

WAVE HILL INCORPORATED
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

The following is a reconciliation of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3)

	2013		
	Partnership interests	Interest in split interest agreements	Totals
July 1, 2012	\$ 4,009,284	\$ 1,487,394	\$ 5,496,678
Total gains	592,154	189,771	781,925
Proceeds	(175,587)	(1,536,162)	(1,711,749)
	<u>\$ 4,425,851</u>	<u>\$ 141,003</u>	<u>\$ 4,566,854</u>
	2012		
	Partnership interests	Interest in split interest agreements	Totals
July 1, 2011	\$ 5,087,233	\$ 1,557,056	\$ 6,644,289
Total (losses)	(77,614)	(63,743)	(141,357)
Proceeds	(1,000,335)	(5,919)	(1,006,254)
	<u>\$ 4,009,284</u>	<u>\$ 1,487,394</u>	<u>\$ 5,496,678</u>

Total gains and losses include \$488,679 (2013) of unrealized gains and \$41,414 (2012) of unrealized losses. These amounts are included in unrealized appreciation (depreciation) in marketable and other securities in the accompanying Statements of Activities.

The fair value of common stocks, mutual funds and U.S. Government securities was determined by quoted market prices.

The fair value of partnership interests were determined using a market-corroborated input by utilizing changes in sector performances of underlying partnership investments.

The fair value of split interest agreements were determined by applying a discount rate, based on life expectancy of the income beneficiary, to the fair value of the underlying assets.

WAVE HILL INCORPORATED
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - ENDOWMENT FUND

The Wave Hill Endowment Fund ("the Fund") is comprised of assets designated by the Board of Directors to function similar to an endowment, but without the restrictions on principal of a true endowment, unless specifically required by the donor. However, the Board of Directors of Wave Hill has determined that prudent care by the Board is necessary to preserve the principal of the Fund.

The assets of the Fund are provided by contributions from donors, some of whom have directed that their contribution be used for specific purposes such as education or horticulture. If no designation is made by the donor, the contributions are used for general operating support. It is the intention that these funds remain permanently invested for the purposes for which they have been designated.

The net assets of the Fund, which are included in the accompanying statement of financial position, are as follows:

	June 30,	
	2013	2012
Cash and cash equivalents	<u>\$ 1,665,725</u>	<u>\$ 823,326</u>
U.S. government securities	-	299,805
Mutual funds	4,252,060	3,851,784
Common stocks	6,484,077	5,394,283
Beneficial interest in remainder trust	-	1,340,230
Investments in limited partnerships and other non-readily marketable investment vehicles	<u>4,425,851</u>	<u>4,009,284</u>
	<u>15,161,988</u>	<u>14,895,386</u>
	<u>\$16,827,713</u>	<u>\$15,718,712</u>

The organization may draw, in any fiscal year, up to 5% of the average balance of the Fund on the last day of each quarter in the eight-quarter period ending on the preceding June 30th. At any time, the Board may review and vote to change the expenditure policy of the Fund after giving consideration to current economic conditions, needs of the institution to support operations and the overall purpose of the Fund. With the permission of the Board, the organization withdrew in excess of the 5% during the years ended June 30, 2013 and 2012.

WAVE HILL INCORPORATED
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - ENDOWMENT FUND (Continued)

During the years ended June 30, 2013 and 2012, Wave Hill withdrew \$920,134 and \$1,027,347, respectively. These funds were used to support the activities of Wave Hill in the approximate proportion such funds were restricted by the donors, as follows:

	June 30,			
	2013	%	2012	%
Horticulture	\$ 248,436	27	\$ 277,384	27
Education	322,047	35	359,571	35
General operating	<u>349,651</u>	<u>38</u>	<u>390,392</u>	<u>38</u>
	<u>\$ 920,134</u>	<u>100%</u>	<u>\$1,027,347</u>	<u>100%</u>

During 2013 an additional amount of \$500,000 was withdrawn in order to establish a board designated cash reserve fund.

The Investment Committee of the Board of Directors has adopted an investment policy that seeks to provide a total return on investment of 5% or more annually through a diversified portfolio that attempts to minimize risks inherent in the financial markets. Actual returns in any given year may vary from this amount.

A semi-annual review of the composition of the Fund, return on investments and allocation among investment instruments is performed to ensure that the organization's investment and spending policies are achieved and in compliance with the Uniform Prudent Management of Institutional Funds Act (UMPMIFA). In addition, the committee considers:

1. General economic conditions
2. Expected returns of each investment in relation to the entire portfolio
3. The need of the institution to make distributions from the Fund and
4. Other resources of the organization

WAVE HILL INCORPORATED
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - ENDOWMENT FUND (Continued)

For the years ended June 30, 2013 and 2012, the organization had the following endowment-related activities:

	Board Designated Endowment Funds	
	June 30, 2013	June 30, 2012
Investment return		
Investment income	\$ 170,297	\$ 105,150
Net realized and unrealized appreciation /(depreciation)	<u>2,358,688</u>	(<u>436,938</u>)
Total investment return	2,528,985	(331,788)
Contributions	150	2,000
Amounts appropriated for expenditure	(920,134)	(1,027,347)
Amounts appropriated for Board designated operating cash reserves	(<u>500,000</u>)	(<u> </u>)
Total change in endowment funds	<u>\$1,109,001</u>	<u>(\$1,357,135)</u>

NOTE 6 - SPLIT INTEREST AGREEMENTS

At June 30, 2013 and 2012, split interest agreements consist of the following:

	June 30,	
	2013	2012
Charitable remainder trusts	\$ -	\$ 1,340,229
Annuity Trust	<u>141,003</u>	<u>147,165</u>
Total	<u>\$ 141,003</u>	<u>\$ 1,487,394</u>

WAVE HILL INCORPORATED
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – SPLIT INTEREST AGREEMENTS (Continued)

CHARITABLE REMAINDER TRUST

Wave Hill has been named the remainder beneficiary of a charitable remainder unitrust. The income beneficiaries are to receive, first from income and, to the extent that income is insufficient, from principal, a total annuity each year equal to fixed percentage of the net fair market value of the trust assets as described in the agreement. Upon the death of the last surviving income beneficiary, the remaining principal of the trust is to be distributed to Wave Hill. Wave Hill has recognized, as an asset, the present value of the expected fair value of the assets to be received. During the year ended June 30, 2013, the last surviving income beneficiary passed and Wave Hill received proceeds of \$1,530,000. At June 30, 2012, the expected future fair value of Wave Hill's beneficial interest in the trust principal was \$1,340,229. The excess of \$189,771 is included in realized gain in the temporarily restricted endowment.

ANNUITY TRUST

Wave Hill has been named as an annuitant in a decedent's last will and testament. Wave Hill is expected to receive approximately \$12,000 per annum, paid quarterly, for 20 years commencing in 2010. An asset for the charitable gift annuity has been recognized at the present value of the expected cash flows to be received. At June 30, 2013, the present value of Wave Hill's beneficial interest in the annuity was \$141,003. This gift has been recognized in temporarily restricted net assets. The annuity payments will be reported as unrestricted net assets upon receipt as the donor did not place any restrictions on this contribution.

The discount rate used was 4.03%.

NOTE 7 - PENSION PLAN

The employees of Wave Hill are members of the Cultural Institutions Pension Plan, a multiemployer defined benefit pension plan. The risk of participating in a multiemployer plan differs from those of single-employer plans in the following respects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, then the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the Organization chooses to stop participating in the multiemployer plan, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

WAVE HILL INCORPORATED
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - PENSION PLAN (Continued)

The Organization's participation in the plan for the annual periods ended June 30, 2013 and 2012, is outlined in the table below.

Pension Fund	EIN/Plan Number	Pension Protection Act		FIP/RP Status Pending / Implemented	Contributions		Surcharge Imposed
		Zone Status 2013	2012		2013	2012	
Fund 001	11-2001170	Green	Green	N/A	\$ 194,625	\$ 182,217	No

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS – OPERATING

Temporarily restricted net assets-operating, consisting primarily of cash and equivalents, are available for the following purposes or periods as follows:

	June 30,	
	2013	2012
Elliptical garden	\$ 2,500	\$ 2,500
Renovation of T. H. Everett House	27,199	27,199
Works of art restricted to horticulture	18,000	18,000
Renovations to shade border	78,892	78,892
Renovations to Wave Hill House	-	773,917
Forest Project	124,845	50,000
Visual Arts	-	20,000
Oral History Project	15,627	15,627
Souvenir Book	50,000	-
For periods after June 30,	<u>316,634</u>	<u>600,633</u>
	<u>\$ 633,697</u>	<u>\$1,586,768</u>

NOTE 9 - TRUST INCOME

Wave Hill is the income beneficiary under the terms of the Perkins Gardens Trust. For the years ended June 30, 2013 and 2012, Wave Hill received \$121,480 and \$116,362, respectively. The trust assets were approximately \$2,939,000 as of June 30, 2013.

WAVE HILL INCORPORATED
NOTES TO FINANCIAL STATEMENTS

NOTE 10 - CONTRIBUTED SERVICES

Contributed services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. The Organization pays for most services requiring specific expertise. During the year ended June 30, 2013, Wave Hill received pro-bono legal services valued at approximately \$124,000. Such amounts have been included in contributions and grants, and professional fees in the accompany statement of activities. Many individuals volunteer their time and perform a variety of tasks that assist Wave Hill with their programs. Wave Hill received approximately 1,700 hours of such volunteer hours per year.

NOTE 11 - CONCENTRATIONS

As of June 30, 2013, Wave Hill had approximately \$2,230,000 of cash on deposit in both a major commercial bank and various investment institutions in excess of Federal Deposit Insurance Corporation coverage. Investments in common stock are held by major brokerage firms.

NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 31, 2013, the date on which the financial statements were available to be issued.