FAIRMOUNT PARK CONSERVANCY

FINANCIAL STATEMENTS

DECEMBER 31, 2019

FAIRMOUNT PARK CONSERVANCY

Contents

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Fairmount Park Conservancy

Report on the Financial Statements

We have audited the accompanying financial statements of Fairmount Park Conservancy (a nonprofit organization) (the "Conservancy"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 on the 2019 Financial Statements

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of Fairmount Park Conservancy as of December 31, 2019, 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.

EisnerAmper LLP

EISNERAMPER LLP
Philadelphia, Pennsylvania
April 30, 2020

FAIRMOUNT PARK CONSERVANCY

Statement of Financial Position
December 31, 2019

ASSETS	
Current assets:	
Cash and cash equivalents	$ 5,228,558
Investments, at fair value	2,860,458
Unconditional promises to give, current portion	864,500
Accounts receivable, net of allowance of $47,978	2,469,147
Prepaid expenses	35,406
Total current assets	11,458,069
Property and equipment, net of accumulated depreciation	49,424
Unconditional promises to give, net of current portion	547,507
	$ 12,055,000
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	$ 259,890
Current portion of long-term debt	123,895
Other liabilities	1,950
Grants payable	120,000
Total current liabilities	505,735
Long-term debt, net of current portion	42,586
Total liabilities	548,321
Commitments (Note L)	
NET ASSETS	
Without donor restrictions	1,341,831
With donor restrictions	10,164,848
Total net assets	11,506,679
	$ 12,055,000

FAIRMOUNT PARK CONSERVANCY

Statement of Activities and Changes in Net Assets
Year Ended December 31, 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support and revenue:			
Contributions:			
Foundation	$ 69,530	$ 250,184	$ 319,714
Corporate	231,465	190,563	422,028
Individual	271,553	12,026	283,579
In-kind contributions	61,508	-	61,508
Government contracts	1,215,110	-	1,215,110
Rental income	191,858	-	191,858
Other earned revenue	1,110,259	-	1,110,259
Special events, net cost of direct benefit to donors of $157,866	279,554	-	279,554
Investment income, net	98,536	500,969	599,505
Net assets released from restrictions	3,218,660	(3,218,660)	-
Total support and revenue	6,748,033	(2,264,918)	4,483,115
Expenses:			
Program services:			
Park activation	2,164,831	-	2,164,831
Capital improvements	2,170,115	-	2,170,115
Civic engagement	852,746	-	852,746
Total program services	5,187,692	-	5,187,692
Supporting services:			
General and administrative	916,475	-	916,475
Fundraising	616,103	-	616,103
Total supporting services	1,532,578	-	1,532,578
Total expenses	6,720,270	-	6,720,270
Change in net assets	27,763	(2,264,918)	(2,237,155)
Net assets at beginning of year	1,314,068	12,429,766	13,743,834
Net assets at end of year	$ 1,341,831	$ 10,164,848	$ 11,506,679

FAIRMOUNT PARK CONSERVANCY

Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services				Supporting Services			
	Park Activation	Capital Improvements	Civic Engagement	Subtotal	General and Administrative	Fundraising	Subtotal	Total
Payroll	$ 223,315	$ 750,417	$ 344,136	$ 1,317,868	$ 325,101	$ 407,123	$ 732,224	$ 2,050,092
Payroll taxes	29,612	47,612	28,797	106,021	20,886	31,980	52,866	158,887
Employee benefits	48,409	76,724	47,272	172,405	34,542	52,352	86,894	259,299
Total payroll and related expenses	301,336	874,753	420,205	1,596,294	380,529	491,455	871,984	2,468,278
Automobile	-	3,719	-	3,719	6,316	-	6,316	10,035
Bad debt	-	-	-	-	67,439	-	67,439	67,439
Building repairs and materials	150,267	149,016	14,732	314,015	-	-	-	314,015
Construction contracts	365,911	525,721	-	891,632	-	-	-	891,632
Consultants	306,865	99,481	41,787	448,133	33,393	200	33,593	481,726
Depreciation	-	-	-	-	21,245	-	21,245	21,245
Development/materials and services	97,266	29,947	39,910	167,123	7,808	21,078	28,886	196,009
Marketing	27,141	158	3,228	30,527	-	130	130	30,657
Occupancy	14,201	-	-	14,201	111,013	-	111,013	125,214
Office expenses	18,503	29,980	2,444	50,927	178,306	27,393	205,699	256,626
Park expenses	820,221	386,286	233,741	1,440,248	40,516	22,587	63,103	1,503,351
Professional services	4,722	44,689	40,389	89,800	53,646	49,135	102,781	192,581
Travel and entertainment	58,398	26,365	56,310	141,073	16,264	4,125	20,389	161,462
Total expense included in expense section on the statement of activities and changes in net assets	2,164,831	2,170,115	852,746	5,187,692	916,475	616,103	1,532,578	6,720,270
Special events - cost of direct benefit to donors:								
Food and beverages	-	-	-	-	-	59,255	59,255	59,255
Event equipment rental	-	-	-	-	-	63,044	63,044	63,044
Entertainment	-	-	-	-	-	35,567	35,567	35,567
	-	-	-	-	-	157,866	157,866	157,866
Total expense	$ 2,164,831	$ 2,170,115	$ 852,746	$ 5,187,692	$ 916,475	$ 773,969	$ 1,690,444	$ 6,878,136

FAIRMOUNT PARK CONSERVANCY

Statement of Cash Flows
Year Ended December 31, 2019

Cash flows from operating activities:	
Change in net assets	$ (2,237,155)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	21,245
Provision for doubtful accounts	67,439
Unrealized loss on investments	(520,403)
(Increase) decrease in assets:	
Unconditional promises to give	3,151,190
Accounts receivable	(251,722)
Prepaid expenses	(11,711)
Decrease in liabilities:	
Accounts payable and accrued expenses	(662)
Grants payable	(247,500)
Net cash used in operating activities	(29,279)
Cash flows from investing activities:	
Purchase of property and equipment	(15,241)
Cash flows from financing activities:	
Principal payments on long-term debt	(117,993)
Net decrease in cash and cash equivalents	(162,513)
Cash and cash equivalents at beginning of year	5,391,071
Cash and cash equivalents at end of year	$ 5,228,558

See notes to financial statements

NOTE A - NATURE OF OPERATIONS

On December 31, 2014, Fairmount Park Conservancy merged with the Fairmount Park Historic Preservation Trust (the “Trust”), a tax exempt nonprofit organization. The Trust is the surviving corporate entity and the Fairmount Park Conservancy’s corporate entity was merged into the Trust. The name of the corporation was changed to the Fairmount Park Conservancy (the “Conservancy”).

The Conservancy is a nonprofit organization that works as a collaborative partner to lead and support efforts which preserve and improve the Fairmount Park system to enhance the quality of life and stimulate the economic development of the Greater Philadelphia Region. The Conservancy raises funds to develop and promote the park’s unique assets, accomplishments, and contributions. The Conservancy is a leader and steward of signature capital projects and innovative programs in support of the Fairmount Park system, and is committed to having a positive and measurable impact in the neighborhoods and communities it serves.

The Conservancy often receives support from funders for specific projects. In accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), this support is recognized as with donor restrictions either for time or purpose. Often, these projects will go through several phases and span many years. Expenditures from one year to the next can vary significantly according to the various stages of these projects. Park improvement expenditures are a significant component of overall program expenditures and therefore the percentage of program expenditures to total expenditures can vary significantly between years.

The Conservancy also receives support to preserve, develop, and manage the historic resources in Philadelphia’s Fairmount Park. The Conservancy functions, in partnership with the Philadelphia Department of Parks and Recreation (“PPR”), on matters regarding the restoration, rehabilitation, and management of the properties designated to the Conservancy’s care. Properties designated to the Conservancy’s care are stipulated in a master lease, between the City of Philadelphia and the Philadelphia Authority for Industrial Development (“PAID”), and a Master Sublease between PAID and the Conservancy.

The Conservancy’s programs include the following:

- **Civic Engagement:** Initiatives that seek to empower, educate and connect Philadelphia citizens and public space partners to civic assets through equitable programming, capacity building, activation and stewardship.

- **Park Activation:** A robust offering of programming, arts and culture installations, and transformation of public spaces to connect Philadelphia’s cultural and civic assets with the communities they serve.

- **Capital Improvements:** Large capital improvements to Philadelphia parklands, included current projects such as:

  FDR Park: FDR Park is a 350 acre park in South Philadelphia. Fairmount Park Conservancy is working with the PPR to develop a planning vision, attract investment, and deliver capital improvements to the site.

  Natural Lands: The Natural Lands Program represents the Fairmount Park Conservancy's investment in restoring, maintaining and improving the woodlands, streams, meadows, and lakes that make up sixty percent of the City's parklands. This work includes construction of the Trolley Trail, repairs to Concourse Lake, and the restoration of the woods at the Horticultural Center. This work is primarily funded through a contract with the PPR.

NOTE A - NATURE OF OPERATIONS (CONTINUED)

- **Capital Improvements (continued):**

  Centennial Commons: Centennial Commons is a 1,400 acre site in West Fairmount Park, which was the original site of the Centennial Exposition and home to major cultural institutions. The Fairmount Park Conservancy is engaged in a multi-year effort to deliver capital improvements to the site based on masterplans from 2009 and 2014. These improvements include projects such as the Parkside Edge, Youth Area, Welsh Fountain restoration, infrastructure upgrades and associated park improvements.

  Historic Preservation: The preservation, development, and management of historic resources in Philadelphia's Fairmount Park. The Conservancy functions in lieu of the PPR on matters regarding the restoration, rehabilitation, and management of the properties designated to the Conservancy's care.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Basis of presentation:

The financial statements of the Conservancy have been prepared utilizing the accrual basis of accounting and conform to U.S. GAAP, as applicable to not-for-profit organizations. Resources in the financial statements are classified for accounting and reporting purposes into classes of net assets according to the existence or absence of donor-imposed restrictions.

[2] Classification of net assets:

The Conservancy reports information regarding its financial position and activities 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 without donor restrictions represent funds 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[3] Cash and cash equivalents:

Cash and cash equivalents consist of cash accounts at financial institutions and nonbank money market funds. The Conservancy considers all money market funds and certificates of deposit with original maturities of three months or less to be cash equivalents.

[4] Investments:

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the statement of activities and changes in net assets. Invested cash and investments in money markets are valued at cost which approximates fair value. Dividend and interest income is recorded as earned. Gains and losses on sales of investments are determined using the average cost method. Restricted investment income from investments whose restrictions are satisfied in the same period as the income is classified as net assets without donor restrictions. Investments received as gifts are initially recorded at fair value at the date of receipt.

Realized and unrealized gains and losses on investments (determined based on original cost) are included in investment income, net, which is included in the statement of activities and changes in net assets.

Investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

[5] Unconditional promises to give:

Unconditional promises to give represent payments due in future periods for awards recorded as donor-restricted support and revenue. The Conservancy considers unconditional promises to give to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made.

[6] Accounts receivable:

Accounts receivable consist of monies due for billings for work completed under performance grants and monies due for the annual dinner sponsorships. The Conservancy provides an allowance for doubtful accounts which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. As of December 31, 2019, there was an allowance of $47,978. Delinquent receivables are written off based on individual credit evaluation and specific circumstances.

[7] Property and equipment and depreciation:

Property and equipment are stated at cost less accumulated depreciation. Equipment and other fixed assets in excess of $1,000 are capitalized and recognized in the statement of financial position. Contributed property and equipment are recorded at fair value at the date of donation. The cost of property and equipment is depreciated over the estimated useful lives of the related assets, which range from two to ten years on a straight-line basis.

Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in revenue.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[8] Grants payable:

Grants payable represent future payments that the Conservancy has awarded to subrecipients, which are considered unconditional promises to give. These grants are recorded as expenses at the time they become unconditional, which is usually when they are awarded (see Note I).

[9] Rental income:

Rental income from tenants is recorded ratably over the term of the lease. See Note L for more information.

[10] Revenue recognition - contributions:

Funding for the Conservancy's activities is partially achieved through foundation, corporate, individual, and in-kind contributions, including unconditional promises to give. These donations provide funding to be used to support the mission of the Conservancy. As the donors are not receiving a benefit as a result of these transactions, the donations are considered to be contributions to the Conservancy. Some contributions require that funds be expended for a specific purpose, and are considered to be net assets with donor restrictions.

The Conservancy recognizes contributions as revenue when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest 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.

The Conservancy records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference, which is included in special events on the statement of activities and changes in net assets. The recognition of revenue is conditional on the event taking place. As of December 31, 2019, there are no conditional contributions associated with special events.

[11] Revenue recognition - services:

Government contracts

The City of Philadelphia (the "City") has contracts with the Conservancy to perform services for the City's parks over a period of time. The benefits received by the City include the maintenance and beautification of parks, which are owned by the City. The City simultaneously receives and consumes the benefit of work done by the Conservancy through maintaining the City's parks, therefore, revenue is recognized ratably over the course of the year. There are no open contracts as of year-end that would be included in deferred revenue.

In addition, some contracts with the City relate to a specific park project or performance obligation. Government contract revenue is recognized at a point in time when the project listed in the contract is complete as that is when the performance obligation transfers to the government. The Conservancy invoices the City when the project has been completed for the work performed to complete the project. The amount recognized is the amount that reflects the consideration received or expected to be received in exchange for completing park projects.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[11] Revenue recognition – services (continued):

Other earned income

Contracts with nongovernment sources are included as other earned income. These contracts relate to a specific park project or performance obligation. Other earned income revenue is recognized at a point in time when the project listed in the contract is complete as that is when the performance obligation transfers to the beneficiary. The amount recognized is the amount that reflects the consideration received or expected to be received in exchange for completing park projects.

[12] Administrative fee:

The Conservancy receives a fee to administer and oversee some grants restricted for a specific purpose. These fees are included in foundation grants, corporate grants, government grants and contracts on the statement of activities and changes in net assets. The fee varies by project or program and by the source of funds. The fee is charged at 0% to 12.5% of the grant as stipulated by the grant agreement.

[13] Project management fee:

The Conservancy receives a project management fee to implement certain projects and programs. These fees are included in foundation grants, corporate grants, government grants and contracts on the statement of activities and changes in net assets. The fee varies by project or program and by the source of funds.

[14] In-kind contributions:

The Conservancy recognizes contributed services that create or enhance nonfinancial 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. The Conservancy recorded $23,508 of contributed services for the year ended December 31, 2019, which is included in general and administrative as professional services in the accompanying statement of activities and changes in net assets.

The Conservancy records the value of contributed facilities and utilities at their perceived market value when received. Contributed facilities and utilities are reflected as revenue in the accompanying financial statements at their estimated values at the date of receipt. The Conservancy recorded $38,000 of contributed facilities and utilities for the year ended December 31, 2019, which is included in general and administrative as occupancy in the accompanying statement of activities and changes in net assets.

[15] Functional allocation of expenses:

Directly identifiable expenses are charged to program services, general and administrative, and fundraising. Salaries, payroll taxes, and benefits are charged to the different functions based on the employees actual functions performed. Remaining expenses are allocated to program and supporting services based on direct expenses incurred by each function.

[16] Advertising costs:

The Conservancy uses advertising to promote its services among the audience it serves. Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2019 was $30,657.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[17] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses, including functional allocations, during the reporting period. Actual results could differ from those estimates.

[18] Income taxes:

The Internal Revenue Service has classified the Conservancy as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("Code"); as an organization, contributions to which are deductible under Section 170(c) of the Code; and as an organization that is not a private foundation as defined in Section 509(a) of the Code.

U.S. GAAP requires management to evaluate tax positions taken and recognize a tax liability, if the Conservancy has taken an uncertain tax position that more likely than not would not be sustained upon examination by a government authority. Management has analyzed the tax positions taken by the Conservancy and has concluded that as of December 31, 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

The Conservancy recognizes accrued interest and penalties associated with uncertain tax positions, if any. There were no income tax related interest and penalties recorded for the year ended December 31, 2019.

[19] Concentrations of credit risk:

During the year ended December 31, 2019, the Conservancy may have deposits with major financial institutions which exceed Federal Deposit Insurance Corporation limits.

[20] New accounting pronouncements:

In May 2014, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 requires an entity to recognize revenue depicting the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 will also result in enhanced revenue related disclosures. This standard is effective for fiscal years beginning after December 15, 2018. The Conservancy has adopted the FASB Accounting Standards Codification ("ASC") Topic 606 as of and for the year ended December 31, 2019. The amendments have been applied, with no effect on net assets. The adoption of ASU 2014-09 also resulted in additional disclosures related to contributions and services revenue.

The adoption of ASC 606 did not have a significant impact on the Conservancy's financial position, activities and changes in net assets, or cash flows. Based on the Conservancy's evaluation of its contracts and services provided, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[20] New accounting pronouncements (continued):

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves guidance concerning, 1) evaluating whether a transaction should be accounted for as an exchange transaction or as a contribution, and 2) determining whether a contribution received is conditional. ASU 2018-08 is effective for annual periods beginning after December 15, 2018 for entities that are resource recipients and for annual periods beginning after December 15, 2019 for entities that are resource providers. ASU 2018-08 should be applied on a modified prospective basis. The Conservancy has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There was no effect on net assets in connection with the implementation of ASU 2018-08.

[21] Upcoming accounting pronouncement:

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The standard's core principle is to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the statement of financial position and disclosing key information. ASU 2016-02 will be effective for nonpublic entities for fiscal years beginning after December 15, 2020, with early adoption permitted. Management is currently evaluating the effect that this new guidance will have on its financial statements and related disclosures.

NOTE C - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of December 31, 2019:

Financial assets:	
Cash and cash equivalents	$ 5,228,558
Investments, at fair value	2,860,458
Unconditional promise to give	864,500
Accounts receivables	2,469,147
Total financial assets available within one year	11,422,663
Less amounts not available for general expenditures within one year:	
Net assets with donor restrictions subject to expenditures for specified purposes	3,026,422
Net assets with donor restrictions subject to the Conservancy's spending policy and appropriation donor-restricted endowment funds	100,000
	3,126,422
Financial assets available to meet cash needs for general expenditures within one year	$ 8,296,241

General expenditures include program services expenses, general and administrative expenses, and fundraising expenses expected to be paid in the subsequent year.

NOTE C - LIQUIDITY AND AVAILABILITY (CONTINUED)

The Conservancy's total investments consist of operating investments and donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes. Donor-restricted endowment funds of $100,000 are not available for general expenditure.

With the exception of the net assets with donor restrictions of $3,026,422, net assets with donor restrictions subject to expenditures for specified purposes are expected to be released in 2019.

As part of the Conservancy's liquidity management plan, the Conservancy structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Conservancy invests cash in excess of daily requirements in money market funds and other short-term investments.

NOTE D - INVESTMENTS

The investments of $2,860,458 as of December 31, 2019 are comprised of mutual funds.

NOTE E - FAIR VALUE MEASUREMENTS

The fair value of each investment is determined at the statement of financial position date in accordance with FASB ASC Topic 820, *Fair Value Measurements and Disclosures*. Accordingly, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants in the market in which the reporting entity transacts, and fair value measurements are separately disclosed by level within the fair value hierarchy.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in inactive markets; or inputs that are derived principally from or corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The financial instruments within the fair value hierarchy are based on the lowest level of any input that is significant to the fair value measurement. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities.

The following is a description of the valuation methodology used for instruments measured at fair value. This valuation methodology was applied to all of the Conservancy's assets and liabilities that are carried at fair value as of December 31, 2019.

Mutual funds – Valued at the daily closing price as reported by the fund. Mutual funds held by the Conservancy are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Conservancy are deemed to be actively traded.

FAIRMOUNT PARK CONSERVANCY

Notes to Financial Statements
December 31, 2019

NOTE E - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table set forth, by level, the Conservancy's investments at fair value, within the aforementioned fair value hierarchy, as of December 31, 2019:

	Investment Assets at Fair Value			
	Total	**Level 1**	**Level 2**	**Level 3**
Mutual funds	$ 2,860,458	$ 2,860,458	$ -	$ -

Changes in fair value levels:

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the year ended December 31, 2019, there were no transfers into or out of Levels 1, 2 or 3.

NOTE F - UNCONDITIONAL PROMISES TO GIVE

The Conservancy has received unconditional promises to give, some of which are receivable in future years. Unconditional promises to give that are receivable more than one year are discounted at an interest rate commensurate with the risk involved to approximate the net present value of the estimated future cash flows. In considering estimated cash flows, the Conservancy considers the creditworthiness of the donors, the Conservancy's past collection experience and its procedures to collect promises to give.

The Conservancy recorded the unconditional promises to give as of December 31, 2019 as follows:

Receivable in less than one year	$ 864,500
Receivable in one to five years	575,000
Total unconditional promises to give	1,439,500
Less discount to net present value	(27,493)
Net unconditional promises to give	$ 1,412,007
Current unconditional promises to give	$ 864,500
Noncurrent unconditional promises to give	547,507
	$ 1,412,007

Pledges which are receivable in more than one year are discounted at an appropriate rate of return for the expected term of the promise to give of 2.48%.

NOTE F - UNCONDITIONAL PROMISES TO GIVE (CONTINUED)

Spurred by the Philadelphia's Rebuild initiative, which plans to invest $500,000,000 in capital improvement of parks, recreation centers, and libraries, the Knight Foundation granted $3,296,000 in December 2016 to the Conservancy to support a network of nonprofit partners in building community participation with, and stewardship of, public spaces. The total grant amount was recorded as donor-restricted revenue for the year ended June 30, 2017. After an initial payment of $530,000 and the subsequent payments totaling $2,737,500, the amount due from Knight Foundation as of December 31, 2019 is $28,500. The remaining balance is expected to be received in 2020.

In November 2018, the Conservancy received a three-year grant from The Toronto-Dominion Bank to support the Conservancy's TreePhilly program. The total grant amount of $1,125,000 was recorded as donor-restricted revenue for the year ended December 31, 2019. The amount due from The Toronto-Dominion Bank as of December 31, 2019 is $750,000. The remaining balance is expected to be received in two equal payments of $375,000 in 2020 and 2021.

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2019 consist of the following:

Equipment and software	$ 90,504
Furniture and fixtures	15,738
Leasehold improvements	36,680
Trucks	29,802
	172,724
Less accumulated depreciation	123,300
	$ 49,424

Depreciation for the year ended December 31, 2019 was $21,245.

NOTE H - LONG-TERM DEBT

The Conservancy obtained a loan of $360,000 from PNC Bank for construction of the Welcome Center at Love Park in May 2018. The loan is payable in monthly installments of interest and principal of $10,773 through April 2021, with a fixed interest rate of 4.89%. The loan is collateralized by the Conservancy's assets.

Interest expense under the loan agreement for the year ended December 31, 2019 was $11,282.

Scheduled future maturities of long-term debt as of December 31, 2019 are as follows:

Year Ending December 31,	
2020	$ 123,895
2021	42,586
	$ 166,481

NOTE I - GRANTS PAYABLE

As of December 31, 2019, grants payable of $120,000 represent grants payable related to sub-grantees for the Conservancy's "Collaborative Civic Engagement Strategy" and “The Friends of the Rail Park” programs, which are expected to be paid in 2020.

NOTE J - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2019:

Subject to expenditures for specified purpose:	
Civic engagement:	
Civic engagement	$ 242,780
Park stewardship	73,250
Capital projects:	
Capital projects	5,197,685
Centennial commons	1,708,722
Natural lands	2,000
Historic preservation	1,315,633
Park activation:	
Arts and culture	650,075
Park events	856,855
General operating	17,848
	10,064,848
Endowment:	
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:	
McNeil endowment - maintenance of Waterworks project	100,000
Total endowments	100,000
	$ 10,164,848

NOTE J - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Income earned from the McNeil endowment is to be used for maintenance of the Waterworks Project. Net assets were released from donor restriction by incurring expenses satisfying the restricted purpose specified by the donors as follows for the year ended December 31, 2019:

Satisfaction of purpose restriction:	
Civic engagement:	
Civic engagement	$ 48,075
Park stewardship	159,327
Capital projects:	
Capital projects	662,258
Centennial commons	372,499
Natural lands	11,321
Historic preservation	693,298
Park activation:	
Arts and culture	760,410
Park events	508,972
Administrative/development	2,500
	$ 3,218,660

NOTE K - RENTAL INCOME

The Conservancy is the lessor of property under a master sublease between Philadelphia Authority for Industrial Development and the Conservancy (see Note A) expiring in various years through December 2033. Rental income was $191,858 for the year ended December 31, 2019. Minimum future annual rentals to be received on noncancelable leases as of December 31, 2019 are as follows:

Year Ending December 31,	
2020	$ 67,028
2021	46,600
2022	46,600
2023	46,600
2024	46,600
Thereafter	413,400
	$ 666,828

NOTE L - LEASE COMMITMENTS

The Conservancy has noncancelable operating lease agreements for office space and equipment expiring through June 2023. Rent expense was $104,497 for the year ended December 31, 2019.

Minimum future annual payments under the operating leases as of December 31, 2019 are as follows:

Year Ending December 31,	Total	Facilities	Equipment
2020	$ 95,878	$ 87,125	$ 8,753
2021	6,137	-	6,137
2022	6,137	-	6,137
2023	3,068	-	3,068
	$ 111,220	$ 87,125	$ 24,095

NOTE M - PENSION PLANS

The Conservancy has a contributory retirement plan for eligible employees who have completed six months of service. For each payroll period, the Conservancy will match 100% of the salary deferrals that employees make to the plan up to 4% of the total salary. Nonelective contributions may be permitted at the discretion of the Conservancy for each plan year.

The Conservancy also has a 401(k) plan covering all full-time employees with 12 months of eligible experience. For each payroll period, the Conservancy will match 100% of elective salary deferrals that employees make to the plan up to 3% of the total salary plus 50% of elective salary deferrals up to 5% of total salary. Nonelective contributions may be permitted at the discretion of the Conservancy for each plan year. The plan was that of the former Fairmount Park Historic Preservation Trust and was frozen as of December 31, 2015. The plan was closed on September 18, 2019.

For the year ended December 31 2019, employer contributions were $54,973.

NOTE N - CONTINGENCIES AND OTHER UNCERTAINTIES

In December 2019, a novel strain of Coronavirus emerged in China. While initially the outbreak was largely concentrated in China and caused significant disruptions to its economy, it has now spread to several other countries, including the United States, and infections have been reported globally. It is not currently possible to ascertain the overall impact of the COVID-19 outbreak, if any, on the Conservancy. The extent to which COVID-19 could have a material impact on our service delivery, financial condition and results of operations will depend on future developments including the duration of the outbreak, new information that may emerge concerning the severity of the Coronavirus and the actions taken to contain the Coronavirus or treat its impact, among others.

NOTE O - SUBSEQUENT EVENTS

The Conservancy has evaluated subsequent events through April 30, 2020, which is the date the financial statements were available to be issued.

On April 18, 2020, the Conservancy was approved for a $573,900 term loan pursuant to the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") Paycheck Protection Program. For a six-month deferral period starting when the first loan proceeds are received, neither principle nor interest is due. Any outstanding principle of the loan that is not forgiven under the Paycheck Protection Program at the end of this six month deferral period will convert to a term loan with an interest rate of 1% payable in equal installments over the next eighteen months. Any accrued interest is payable on the fifteenth day of the month following the deferral period.