EISNERAMPER

FAIRMOUNT PARK CONSERVANCY

FINANCIAL STATEMENTS

DECEMBER 31, 2018

FAIRMOUNT PARK CONSERVANCY

Contents

EisnerAmper LLP
One Logan Square
130 North 18th Street, Suite 3000
Philadelphia, PA 19103
T 215.881.8800
F 215.881.8801
www.eisneramper.com

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, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the period from July 1, 2018 to December 31, 2018, 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 2018 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, 2018, and the changes in its net assets and its cash flows for the period from July 1, 2018 to December 31, 2018 in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standards

As discussed in Note B[20], the Conservancy adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statement of Not-for-Profit Entities* as of December 31, 2018 and for the period from July 1, 2018 to December 31, 2018. The requirements of ASU 2016-14 have been applied retrospectively to the beginning of the period presented. Our opinion is not modified with respect to this matter.

EisnerAmper LLP

EISNERAMPER LLP
Philadelphia, Pennsylvania
July 2, 2019

FAIRMOUNT PARK CONSERVANCY

Statement of Financial Position
December 31, 2018

ASSETS	
Current assets:	
Cash and cash equivalents	$ 5,391,071
Investments, at fair value	2,340,055
Unconditional promises to give, current portion	3,282,031
Accounts receivable, net of allowance of $15,977	2,284,864
Prepaid expenses	23,695
Total current assets	13,321,716
Property and equipment, net of accumulated depreciation	55,428
Unconditional promises to give, net of current portion	1,281,166
	$ 14,658,310
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	$ 260,552
Current portion of long-term debt	115,149
Other liabilities	1,950
Grants payable	367,500
Total current liabilities	745,151
Long-term debt, net of current portion	169,325
Total liabilities	914,476
Commitments (Note L)	
NET ASSETS	
Without donor restrictions	1,314,068
With donor restrictions	12,429,766
Total net assets	13,743,834
	$ 14,658,310

FAIRMOUNT PARK CONSERVANCY

Statement of Activities and Changes in Net Assets
For the Period from July 1, 2018 to December 31, 2018

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support and revenue:			
Foundation	$ 3,286	$ 928,469	$ 931,755
Corporate	58,766	1,406,750	1,465,516
Individual	106,011	20,000	126,011
Government contracts	848,488	-	848,488
Rental income	95,601	-	95,601
Other earned revenue	465,880	-	465,880
In-kind contributions	28,271	-	28,271
Special events	38,624	-	38,624
Investment income, net	38,091	(74,634)	(36,543)
Net assets released from restrictions	2,072,769	(2,072,769)	-
Total support and revenue	3,755,787	207,816	3,963,603
Expenses:			
Program services:			
Park activation	1,098,132	-	1,098,132
Capital improvements	992,947	-	992,947
Civic engagement	458,122	-	458,122
Historic Preservation	481,271	-	481,271
Total program services	3,030,472	-	3,030,472
Supporting services:			
General and administrative	431,107	-	431,107
Fundraising	291,570	-	291,570
Total supporting services	722,677	-	722,677
Total expenses	3,753,149	-	3,753,149
Change in net assets	2,638	207,816	210,454
Net assets at beginning of period	1,311,430	12,221,950	13,533,380
Net assets at end of period	$ 1,314,068	$ 12,429,766	$ 13,743,834

FAIRMOUNT PARK CONSERVANCY

Statement of Functional Expenses
For the Period from July 1, 2018 to December 31, 2018

	Program Services					Supporting Services			
	Park Activation	Capital Improvements	Civic Engagement	Historic Preservation	Subtotal	General and Administrative	Fundraising	Subtotal	Total
Payroll	$ 135,772	$ 94,820	$ 146,745	$ 207,850	$ 585,187	$ 167,590	$ 185,993	$ 353,583	$ 938,770
Payroll taxes	8,969	6,645	14,179	14,565	44,358	12,186	13,034	25,220	69,578
Employee benefits	16,775	12,428	26,519	27,242	82,964	22,792	24,378	47,170	130,134
Total payroll and related expenses	161,516	113,893	187,443	249,657	712,509	202,568	223,405	425,973	1,138,482
Automobile	393	1,050	-	6,655	8,098	2,971	-	2,971	11,069
Building repairs and materials	13,176	54,119	4,719	47,459	119,473	-	-	-	119,473
Construction contracts	179,324	181,661	-	62,265	423,250	-	-	-	423,250
Consultants	68,232	28,076	32,675	-	128,983	3,322	1,704	5,026	134,009
Depreciation	-	-	-	-	-	10,995	-	10,995	10,995
Development/materials and services	63,163	4,229	4,720	-	72,112	110	13,315	13,425	85,537
Marketing	17,810	75	850	950	19,685	1,071	65	1,136	20,821
Occupancy	11,436	-	-	-	11,436	54,936	-	54,936	66,372
Office expenses	16,214	614	972	5,860	23,660	20,078	12,974	33,052	56,712
Park expenses	535,963	609,230	149,556	105,151	1,399,900	54,378	16,026	70,404	1,470,304
Professional services	2,538	-	9,000	174	11,712	60,973	10,356	71,329	83,041
Travel and entertainment	28,367	-	68,187	3,100	99,654	19,705	13,725	33,430	133,084
	$ 1,098,132	$ 992,947	$ 458,122	$ 481,271	$ 3,030,472	$ 431,107	$ 291,570	$ 722,677	$ 3,753,149

FAIRMOUNT PARK CONSERVANCY

Statement of Cash Flows
For the Period from July 1, 2018 to December 31, 2018

Cash flows from operating activities:	
Change in net assets	$ 210,454
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:	
Depreciation	10,995
Provision for doubtful accounts	(22,953)
Unrealized loss on investments	187,448
(Increase) decrease in assets:	
Unconditional promises to give	(1,240,504)
Accounts receivable	504,924
Prepaid expenses	16,003
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(96,058)
Grants payable	367,500
Net cash used in operating activities	(62,191)
Cash flows from investing activities:	
Purchase of investments	(106,311)
Cash flows from financing activities:	
Principal payments on long-term debt	(56,872)
Net decrease in cash and cash equivalents	(225,374)
Cash and cash equivalents at beginning of period	5,616,445
Cash and cash equivalents at end of period	$ 5,391,071

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.

- **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.

- **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.

NOTE A - NATURE OF OPERATIONS (CONTINUED)

- **Capital Projects**: 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.

  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 form 2009 and 2014. These improvements include projects such as the Parkside Edge, Youth Area, Welsh Fountain restoration, infrastructure upgrades and associated park improvements.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Reporting period:

During 2018, the Conservancy changed its year-end from June 30 to December 31. Accordingly, these financial statements have been presented as of December 31, 2018 and for the period from July 1, 2018 to December 31, 2018.

[2] 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.

[3] Classification of net assets:

The accompanying financial statements include the following classes of net assets:

- ***Net assets without donor restrictions***

Net assets without donor restrictions represent funds over which the Board of Directors has discretionary control, and are not subject to donor-imposed 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)

[4] 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.

[5] 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.

[6] Unconditional promises to give:

Unconditional promises to give represent payments due in future periods for awards recorded as donor restrictions 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.

[7] 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, 2018, there was an allowance of $15,977. Delinquent receivables are written off based on individual credit evaluation and specific circumstances.

[8] 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 ranges 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)

[9] 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).

[10] Rental income:

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

[11] Revenue recognition:

Contributions from foundations, corporations, and individuals are recognized as revenue when such amounts are received by the Conservancy. Other contributions and grants, including unconditional promises to give, are recognized as revenue in the period the promises to give are received. Contributions receivable represent unconditional promises to give by donors. Conditional contributions are not recognized until the conditions are satisfied.

All contributions are considered to be without donor restrictions, unless specifically restricted by the donor. Support that is restricted by the donor is reported without donor restrictions if the restriction expires in the same reporting period in which the support is recognized.

The Conservancy records revenues from exchange transactions, including government contracts, other contracts and rental income, as increases without donor restrictions to the extent that the earning process is complete. Revenue from exchange transactions is recognized as contract conditions are met.

Special event revenue is recognized when the event takes place.

[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 10% 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 $9,271 of contributed services for the period from July 1, 2018 to December 31, 2018, which is included in general and administrative as professional services in the accompanying statement of activities and changes in net assets.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[14] In-kind contributions (continued):

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 $19,000 of contributed facilities and utilities for the period from July 1, 2018 to December 31, 2018, 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 period from July 1, 2018 to December 31, 2018 was $19,860.

[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, 2018, 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 period from July 1, 2018 to December 31, 2018.

[19] Concentrations of credit risk:

During the period from July 1, 2018 to December 31, 2018, the Conservancy may have deposits with major financial institutions which exceed Federal Deposit Insurance Corporation limits.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[20] New accounting pronouncement:

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends the presentation and disclosures to help not-for-profit organizations provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: a) net asset classes, b) investment return, c) expenses, d) liquidity and availability of resources, and e) presentation of operating cash flows. The Conservancy has adopted the ASU as of December 31, 2018 and for the period from July 1, 2018 to December 31, 2018 and has retroactively applied its provisions to the beginning of the period presented. The adoption of ASU 2016-14 required reclassification of net assets classes and additional disclosures related to liquidity and availability of resources.

A summary of the net assets reclassifications as a result of the adoption of ASU 2016-14 as of July 1, 2018 is as follows:

	ASU 2016-14 Classifications		
	Without Donor Restrictions	**With Donor Restrictions**	**Total Net Assets**
Net assets classifications:			
As previously reported:			
Unrestricted	$ 1,311,430	$ -	$ 1,311,430
Temporarily restricted	-	12,121,950	12,121,950
Permanently restricted	-	100,000	100,000
Net assets, as reclassified, at July 1, 2018	$ 1,311,430	$ 12,221,950	$ 13,533,380

[21] Upcoming accounting pronouncements:

In May 2014, the FASB issued 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. The new standard is effective for fiscal years beginning after December 15, 2018 (which is the year beginning on January 1, 2019 for the Conservancy). The standard permits the use of either the retrospective or cumulative effect transition method. The adoption of ASU 2014-19 is not expected to have a material effect on the financial statements but will require enhanced disclosures.

In February 2016, the 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, 2019, with early adoption permitted. Management is currently evaluating the effect that this new guidance will have on its financial statements and related disclosures.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[21] Upcoming accounting pronouncements (continued):

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 985)*. 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, with early adoption permitted. ASU 2018-08 should be applied on a modified prospective basis. The adoption of ASU 2018-08 is not expected to have a material effect on the financial statements but will require enhanced 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, 2018:

Financial assets:	
Cash and cash equivalents	$ 5,391,071
Investments, at fair value	2,340,055
Unconditional promise to give	3,282,031
Accounts receivables	2,300,841
Total financial assets available within one year	13,313,998
Less amounts not available for general expenditures within one year:	
Net assets with donor restrictions subject to expenditures for specified purposes	4,605,765
Net assets with donor restrictions subject to the Conservancy's spending policy and appropriation donor-restricted endowment funds	100,000
	4,705,765
Financial assets available to meet cash needs for general expenditures within one year	$ 8,608,233

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

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 $4,605,765, 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 $2,340,055 as of December 31, 2018 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 Accounting Standards Codification ("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, 2018.

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.

The following table set forth, by level, the Conservancy's investments at fair value, within the aforementioned fair value hierarchy, as of December 31, 2018:

	Investment Assets at Fair Value			
	Total	**Level 1**	**Level 2**	**Level 3**
Mutual funds	$ 2,340,055	$ 2,340,055	$ -	$ -

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 period from July 1, 2018 to December 31, 2018, 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, 2018 as follows:

Receivable in less than one year	$ 3,282,031
Receivable in one to five years	1,345,500
Total unconditional promises to give	4,627,531
Less discount to net present value	(64,334)
Net unconditional promises to give	$ 4,563,197
Current unconditional promises to give	$ 3,282,031
Noncurrent unconditional promises to give	1,281,166
	$ 4,563,197

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%.

In August 2015, the Conservancy received a three year grant from ArtPlace America to support the Conservancy in incorporating arts and cultural strategies into its work. The total grant amount of $3,000,000 was recorded as donor-restricted revenue for the year ended June 30, 2016. After an initial payment of $250,000 and the subsequent payments totaling $1,787,369, the amount due from ArtPlace America as of December 31, 2018 is $962,631. The remaining balance is expected to be received in 2019.

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 $1,500,000, the amount due from Knight Foundation as of December 31, 2018 is $1,278,500. The remaining balance is expected to be received in 2019.

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 period from July 1, 2018 to December 31, 2018. The amount due from The Toronto-Dominion Bank as of December 31, 2018 is $1,125,000. The balance is expected to be received in three equal payments in 2019, 2020 and 2021.

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2018 consist of the following:

Equipment and software	$ 75,262
Furniture and fixtures	15,738
Leasehold improvements	36,680
Trucks	29,802
	157,482
Less accumulated depreciation	102,054
	$ 55,428

Depreciation for the period from July 1, 2018 to December 31, 2018 was $10,995.

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 period from July 1, 2018 to December 31, 2018 was $7,765.

Scheduled future maturities of long-term debt as of December 31, 2018 are as follows:

Year Ending December 31	
2019	$ 117,994
2020	123,895
2021	42,585
	$ 284,474

NOTE I - GRANTS PAYABLE

As of December 31, 2018, grants payable of $367,500 represents grants payable related to sub-grantees for the Conservancy's "Collaborative Civic Engagement Strategy" and “The Friends of the Rail Park” programs, which is expected to be paid in 2019.

NOTE J - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or period as of December 31, 2018:

Subject to expenditures for specified purpose:	
Civic engagement:	
Civic engagement	$ 2,008,931
Park stewardship	146,993
Capital projects:	
Capital projects	5,265,172
Centennial commons	2,047,622
Natural lands	13,321
Historic preservation	173,167
Park activation:	
Arts and culture	1,318,385
Park events	1,335,827
General operating	20,348
	12,329,766
Endowment:	
Subject to the Conservancy's spending policy and appropriation:	
Investments in perpetuity:	
McNeil endowment - maintenance of Waterworks project	100,000
Total endowments	100,000
	$ 12,429,766

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 a follows for the period from July 1, 2018 to December 31, 2018:

Satisfaction of purpose restriction:	
Civic engagement:	
Civic engagement	$ 465,018
Park stewardship	44,354
Capital projects:	
Capital projects	255,148
Centennial commons	602,369
Historic preservation	16,087
Park activation:	
Arts and culture	445,158
Park events	244,635
	$ 2,072,769

NOTE J - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

The Conservancy is proposing to create a new headquarters, which will be The Center for Philadelphia Park Stewardship, a welcome center and gateway for the entire Fairmount Park System and a hub for Philadelphia's network of park stewardship organizations. The Center for Philadelphia Park Stewardship could feature office space for the Conservancy and exhibition space to showcase park history, special projects, park initiatives, milestones, and community meeting space for public forums. As of December 31, 2018, approximately $1,100,000 has been donated to fund the new headquarters at this location and is reflected in net assets with donor restrictions. The Conservancy continues negotiations on a building lease and believes an agreement will be reached in 2019.

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 $95,601 for the period from July 1, 2018 to December 31, 2018. Minimum future annual rentals to be received on noncancelable leases as of December 31, 2018 are as follows:

Year Ending December 31	
2019	$ 72,736
2020	67,028
2021	46,600
2022	46,600
2023	46,600
Thereafter	439,700
	$ 719,264

NOTE L - LEASE COMMITMENTS

The Conservancy has noncancelable operating lease agreements for office space and equipment expiring through June 2023. Rent expense was $54,637 for the period from July 1, 2018 to December 31, 2018

Minimum future annual payments under the operating leases as of December 31, 2018 are as follows:

Year Ending December 31	Total	Facilities	Equipment
2019	$ 113,685	$ 103,172	$ 10,513
2020	22,726	16,375	6,351
2021	6,137	-	6,137
2022	6,137	-	6,137
2023	3,068	-	3,068
	$ 151,753	$ 119,547	$ 32,206

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 will be closed in 2019.

For the period from July 1, 2018 to December 31 2018, employer contributions were $17,417.

NOTE N - SUBSEQUENT EVENTS

The Conservancy has evaluated subsequent events through July 2, 2019, which is the date the financial statements were available to be issued.