

EISNERAMPER

**FAIRMOUNT PARK
CONSERVANCY**

FINANCIAL STATEMENTS

DECEMBER 31, 2022 and 2021



FAIRMOUNT PARK CONSERVANCY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Fairmount Park Conservancy

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fairmount Park Conservancy (a nonprofit organization) (the "Conservancy"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for each of the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Fairmount Park Conservancy as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

EisnerAmper LLP

EISNERAMPER LLP
Philadelphia, Pennsylvania
May 24, 2023



FAIRMOUNT PARK CONSERVANCY

Statements of Financial Position

	December 31,	
	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,933,303	\$ 1,389,719
Investments, at fair value	2,799,957	4,392,336
Unconditional promises to give, current portion	2,674,923	4,928,333
Accounts receivable, net of allowance for doubtful accounts of \$149,194 in 2022 and \$25,079 in 2021	4,136,459	4,167,106
Prepaid expenses	130,282	127,116
Total current assets	11,674,924	15,004,610
Property and equipment, net of accumulated depreciation	53,441	97,537
Unconditional promises to give, net of current portion	3,010,353	3,579,512
	\$ 14,738,718	\$ 18,681,659
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,919,398	\$ 924,565
Grant payable	283,570	-
Accrued interest	23,718	-
Current portion of long-term debt	1,575,276	3,654
Other liabilities	1,950	1,950
Total current liabilities	3,803,912	930,169
Long-term debt, net of current portion	486,648	146,346
Total liabilities	4,290,560	1,076,515
Commitments, contingencies and other uncertainties		
NET ASSETS		
Without donor restrictions	(1,469,767)	596,901
With donor restrictions	11,917,925	17,008,243
Total net assets	10,448,158	17,605,144
	\$ 14,738,718	\$ 18,681,659

See notes to financial statements.

FAIRMOUNT PARK CONSERVANCY

Statements of Activities and Changes in Net Assets

	Year Ended December 31,					
	2022			2021		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support and revenue:						
Contributions:						
Foundation	\$ 71,444	\$ 650,380	\$ 721,824	\$ 98,784	\$ 7,969,414	\$ 8,068,198
Corporate	231,605	77,930	309,535	81,556	76,752	158,308
Government	-	-	-	1,003	457,737	458,740
Individual	98,556	24,025	122,581	200,573	3,124,103	3,324,676
In-kind contributions – facilities	38,000	-	38,000	38,000	-	38,000
Government contracts	4,573,519	-	4,573,519	1,805,000	-	1,805,000
Rental income	184,958	-	184,958	93,508	-	93,508
Other earned revenue	643,058	-	643,058	216,456	-	216,456
Investment (loss) income, net	(5,083)	(701,011)	(706,094)	19,083	602,762	621,845
Net assets released from restrictions	5,141,642	(5,141,642)	-	5,177,940	(5,177,940)	-
Total support and revenue	10,977,699	(5,090,318)	5,887,381	7,731,903	7,052,828	14,784,731
Expenses:						
Program services:						
Park activation	1,042,828	-	1,042,828	1,264,985	-	1,264,985
Capital improvements	7,233,150	-	7,233,150	2,574,235	-	2,574,235
Civic engagement	1,459,689	-	1,459,689	1,742,719	-	1,742,719
Total program services	9,735,667	-	9,735,667	5,581,939	-	5,581,939
Supporting services:						
General and administrative	1,771,267	-	1,771,267	1,764,896	-	1,764,896
Fundraising	1,537,433	-	1,537,433	1,145,785	-	1,145,785
Total supporting services	3,308,700	-	3,308,700	2,910,681	-	2,910,681
Total expenses	13,044,367	-	13,044,367	8,492,620	-	8,492,620
Change in net assets	(2,066,668)	(5,090,318)	(7,156,986)	(760,717)	7,052,828	6,292,111
Net assets at beginning of year	596,901	17,008,243	17,605,144	1,357,618	9,955,415	11,313,033
Net assets at end of year	\$ (1,469,767)	\$ 11,917,925	\$ 10,448,158	\$ 596,901	\$ 17,008,243	\$ 17,605,144

See notes to financial statements.

FAIRMOUNT PARK CONSERVANCY

Statement of Functional Expenses Year Ended December 31, 2022

	Program Services				Supporting Services			Total
	Park Activation	Capital Improvements	Civic Engagement	Subtotal	General and Administrative	Fundraising	Subtotal	
Payroll	\$ 220,365	\$ 688,391	\$ 518,967	\$ 1,427,723	\$ 545,044	\$ 346,407	\$ 891,451	\$ 2,319,174
Payroll taxes	17,321	53,943	40,768	112,032	46,293	26,817	73,110	185,142
Employee benefits	31,104	94,278	68,874	194,256	107,961	45,753	153,714	347,970
Total payroll and related expenses	268,790	836,612	628,609	1,734,011	699,298	418,977	1,118,275	2,852,286
Automobile	-	12,594	2,278	14,872	3,959	-	3,959	18,831
Bad debt	-	-	-	-	151,278	-	151,278	151,278
Building repairs and materials	5,041	256,881	22,939	284,861	10,544	-	10,544	295,405
Construction contracts	65,525	5,505,545	22,760	5,593,830	-	-	-	5,593,830
Consultants	-	-	225	225	45,014	18,204	63,218	63,443
Depreciation	-	11,237	8,200	19,437	24,659	-	24,659	44,096
Development/materials and services	3,082	29,740	22,164	54,986	4,789	3,480	8,269	63,255
Marketing	213	973	232	1,418	57,142	-	57,142	58,560
Occupancy	42,133	-	-	42,133	62,100	-	62,100	104,233
Office expenses	126,367	88,434	6,351	221,152	377,093	25,226	402,319	623,471
Park expenses	300,640	48,368	608,724	957,732	12,521	73,592	86,113	1,043,845
Professional services	202,846	425,085	100,998	728,929	307,732	990,139	1,297,871	2,026,800
Travel and entertainment	28,191	17,681	36,209	82,081	15,138	7,815	22,953	105,034
Total expenses	<u>\$ 1,042,828</u>	<u>\$ 7,233,150</u>	<u>\$ 1,459,689</u>	<u>\$ 9,735,667</u>	<u>\$ 1,771,267</u>	<u>\$ 1,537,433</u>	<u>\$ 3,308,700</u>	<u>\$ 13,044,367</u>

See notes to financial statements.

FAIRMOUNT PARK CONSERVANCY

Statement of Functional Expenses Year Ended December 31, 2021

	Program Services				Supporting Services			Total
	Park Activation	Capital Improvements	Civic Engagement	Subtotal	General and Administrative	Fundraising	Subtotal	
Payroll	\$ 274,382	\$ 475,609	\$ 406,941	\$ 1,156,932	\$ 533,260	\$ 438,036	\$ 971,296	\$ 2,128,228
Payroll taxes	20,620	37,794	31,533	89,947	44,767	34,308	79,075	169,022
Employee benefits	7,838	13,590	9,576	31,004	283,009	13,425	296,434	340,863
Total payroll and related expenses	302,840	526,993	448,050	1,277,883	861,036	485,769	1,346,805	2,624,688
Automobile	-	15,380	3,397	18,777	5,578	-	5,578	24,355
Bad debt	-	-	-	-	200,000	-	200,000	200,000
Building repairs and materials	91,335	251,031	42,661	385,027	21,919	-	21,919	406,946
Construction contracts	78,515	1,354,773	-	1,433,288	-	-	-	1,433,288
Consultants	-	3,705	-	3,705	46,076	820	46,896	50,601
Depreciation	-	12,744	14,363	27,107	26,048	-	26,048	53,155
Development/materials and services	16,763	430	20,127	37,320	15,390	29,336	44,726	82,046
Marketing	10,735	550	17,487	28,772	3,400	304	3,704	32,476
Occupancy	27,221	310	-	27,531	53,150	-	53,150	80,681
Office expenses	108,339	44,478	87,423	240,240	336,616	56,044	392,660	632,900
Park expenses	551,859	303,078	891,271	1,746,208	98,650	44,527	143,177	1,889,385
Professional services	74,135	58,775	207,453	340,363	84,516	516,463	600,979	941,342
Travel and entertainment	3,243	1,988	10,487	15,718	12,517	12,522	25,039	40,757
Total expenses	<u>\$ 1,264,985</u>	<u>\$ 2,574,235</u>	<u>\$ 1,742,719</u>	<u>\$ 5,581,939</u>	<u>\$ 1,764,896</u>	<u>\$ 1,145,785</u>	<u>\$ 2,910,681</u>	<u>\$ 8,492,620</u>

See notes to financial statements.

FAIRMOUNT PARK CONSERVANCY

Statements of Cash Flows

	Year Ended December 31,	
	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (7,156,986)	\$ 6,292,111
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	44,096	53,155
Provision for doubtful accounts	151,278	200,000
Realized unrealized loss (gain) on investments	860,727	(370,791)
Donated securities	-	(761,274)
(Increase) decrease in assets:		
Unconditional promises to give	2,822,569	(6,473,246)
Accounts receivable	(120,631)	(2,258,436)
Prepaid expenses	(3,166)	28,204
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	994,834	331,345
Grant payable	283,569	(120,000)
Accrued interest	23,718	-
PPP payable	-	(86,587)
Net cash used in operating activities	<u>(2,099,992)</u>	<u>(3,165,519)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	1,383,013	-
Purchase of investments	(651,361)	-
Purchase of property and equipment	-	(101,075)
Net cash provided by (used in) investing activities	<u>731,652</u>	<u>(101,075)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	1,912,916	-
Principal payments on long-term debt	(992)	(42,486)
Net cash provided by (used in) financing activities	<u>1,911,924</u>	<u>(42,486)</u>
Net increase (decrease) in cash and cash equivalents	543,584	(3,309,080)
Cash and cash equivalents at beginning of year	<u>1,389,719</u>	<u>4,698,799</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,933,303</u></u>	<u><u>\$ 1,389,719</u></u>

See notes to financial statements.

FAIRMOUNT PARK CONSERVANCY

Notes to Financial Statements December 31, 2022 and 2021

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").

Fairmount Park Conservancy brings parks to life. The Conservancy works with the City of Philadelphia and its communities to steward our parks and nurture our shared environment, cultural resources and public health. The Conservancy leads capital projects and historic preservation efforts, fosters neighborhood park stewardship, attracts and leverages investments, and develops innovative programs throughout the 10,200 acres that include Fairmount Park, six other watershed parks and more than 130 neighborhood parks and gardens around the city.

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 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 volunteering, capacity building, and stewardship.
- **Park Activation:** A robust offering of programming and transformation of public spaces to connect Philadelphia's cultural and civic assets with the communities they serve. In 2022, the Conservancy hosted 165 programs that drew 6,395 attendees.
- **Capital Improvements:** Large capital improvements to Philadelphia parklands, including current projects such as:

FDR Park: Led by the Conservancy, Philadelphia Parks & Recreation, and the Friends of FDR Park, the FDR Park Plan is a once-in-a generation opportunity to reimagine a historic Olmsted Park to serve 21st century Philadelphians. Guided by the community-driven plan, the Conservancy began implementation in 2021, focusing on advancing four projects that will comprise the Gateway Phase: the Welcome Center, Anna C. Verna Playground, Gateway Plaza, and the People's Plaza and Habitat Terrace.

Natural Lands: The Natural Lands Program represents the Conservancy's investment in restoring, maintaining and improving the woodlands, streams, meadows, and lakes that make up 60% of the City's parklands. This work includes construction of the Trolley Trail, restoration of the Boxers' Trail and canopy restoration at the trail's edge, and the restoration of the woods at the Horticultural Center. The team also facilitated the Natural Lands Volunteer Training program and created a natural lands training for PowerCorpsPHL leadership.

FAIRMOUNT PARK CONSERVANCY

Notes to Financial Statements December 31, 2022 and 2021

NOTE A - NATURE OF OPERATIONS (CONTINUED)

- **Capital Improvements: (continued)**

West Fairmount Park: 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 Gap, infrastructure and pedestrian safety upgrades, planning for the Welsh Fountain restoration, and signage and wayfinding improvements.

Historic Preservation: The preservation, development, and management of historic resources in Philadelphia's Fairmount Park, including numerous 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-imposed or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

(i) *Net Assets Without Donor Restrictions*

Net assets without donor restrictions represent funds available for use in general operations and not subject to donor restrictions.

(ii) *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.

[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.

FAIRMOUNT PARK CONSERVANCY

Notes to Financial Statements December 31, 2022 and 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[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 statements 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 statements of activities and changes in net assets.

Donated marketable securities and other noncash donations are recorded as contributions at their fair value at the date of donation within the appropriate statements of activities and changes in net assets' line.

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 statements 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. 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, 2022 and 2021, there was an allowance of \$149,194 and \$25,079, respectively. 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 statements 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.

[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).

FAIRMOUNT PARK CONSERVANCY

Notes to Financial Statements December 31, 2022 and 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[9] Rental income:

Rental income from tenants is recorded ratably over the term of the lease. See Note K 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.

On March 18, 2021, the Conservancy received proceeds from the U.S. Small Business Administration (the "SBA") as part of the Paycheck Protection Program ("PPP") in the amount of \$457,737. The funding is conditional based on the Conservancy using the funds to cover qualified expenditures while maintaining certain employment levels. Contributions from this agreement are therefore recognized as revenue when qualifying costs are incurred and conditions have been substantially met, as required by the agreement. For the year ended December 31, 2021, \$457,737 of the grants were used for qualified expenditures, including payroll-related expenditures, and thus was recognized as government funding revenue on the statements of activities and changes in net assets. During the year ended December 31, 2022, the Conservancy received notification that the entire \$457,737 of PPP proceeds was forgiven by the SBA.

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.

[11] Revenue recognition – services:

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.

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.

FAIRMOUNT PARK CONSERVANCY

Notes to Financial Statements December 31, 2022 and 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[12] Paycheck Protection Program:

The Conservancy received funds from the PPP under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The Conservancy has elected to account for the PPP proceeds as a conditional contribution under Accounting Standards Codification ("ASC") 958-605. The agreement includes provisions for forgiveness based on measurable performance barriers related to staffing and salary levels and qualifying expenditures. Any amounts not forgiven will be required to be repaid. PPP funds will be recognized as government funding as the conditions on which they depend are substantially met. The Conservancy was notified on March 31, 2022 that the PPP proceeds and any accrued interest were fully forgiven.

[13] 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 statements 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.

[14] 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 statements of activities and changes in net assets. The fee varies by project or program and by the source of funds.

[15] In-kind contributions – facilities:

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. Fair value is based on the estimated fair rental value of comparable rental properties in the area. The Conservancy recorded \$38,000 of contributed facilities and utilities for each of the years ended December 31, 2022 and 2021, which are included in general and administrative as occupancy in the accompanying statements of activities and changes in net assets.

[16] 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. Park expenses consist of various expenses supporting the Conservancy's programming such as program supplies, permit fees, equipment rental and professional program services.

[17] 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 years ended December 31, 2022 and 2021 was \$58,561 and \$32,476, respectively.

FAIRMOUNT PARK CONSERVANCY

Notes to Financial Statements December 31, 2022 and 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[18] 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.

[19] 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, 2022 and 2021, 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 either of the years ended December 31, 2022 or 2021.

[20] Concentrations of credit risk:

During the years ended December 31, 2022 and 2021, the Conservancy may have deposits with major financial institutions which exceed Federal Deposit Insurance Corporation limits.

[21] Adoption of new accounting pronouncement:

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires nonprofit organizations to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. Under the new standard's requirements, gifts-in-kind are to be presented as a separate line item, instead of remaining grouped among contributions of cash or other financial assets, on the statements of activities and changes in net assets. The ASU requires the new standard to be applied retrospectively, with amendments taking effect for annual reporting periods beginning after June 15, 2021. Management has adopted ASU 2020-07 as of and for the year ended December 31, 2022. The adoption of ASU 2020-07 resulted in additional disclosures related to in-kind contributions.

FAIRMOUNT PARK CONSERVANCY

Notes to Financial Statements December 31, 2022 and 2021

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 statements of financial position date, comprise the following as of December 31, 2022 and 2021:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 1,933,303	\$ 1,389,719
Investments, at fair value	2,799,957	4,392,336
Unconditional promise to give	2,674,923	4,928,333
Accounts receivable	4,136,459	4,167,106
	<u>11,544,642</u>	<u>14,877,494</u>
Total financial assets available within one year		
	<u>11,544,642</u>	<u>14,877,494</u>
Less: amounts not available for general expenditures within one year:		
Net assets with donor restrictions subject to expenditures for specified purposes	6,368,954	10,925,616
Net assets with donor restrictions subject to the Conservancy's spending policy and appropriation donor-restricted endowment funds	100,000	100,000
	<u>6,468,954</u>	<u>11,025,616</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,075,688</u>	<u>\$ 3,851,878</u>

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 \$6,368,954 and \$10,925,616, net assets with donor restrictions subject to expenditures for specified purposes are expected to be released or were released in 2023 and 2022, respectively.

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 \$2,799,957 and \$4,392,336 as of December 31, 2022 and 2021, respectively, are comprised of mutual funds.

FAIRMOUNT PARK CONSERVANCY

Notes to Financial Statements December 31, 2022 and 2021

NOTE E - FAIR VALUE MEASUREMENTS

The fair value of each investment is determined at the statements 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, 2022 and 2021.

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 tables set forth, by level, the Conservancy's investments at fair value, within the aforementioned fair value hierarchy, as of December 31, 2022 and 2021:

	Investment Assets at Fair Value			
	December 31, 2022			
	Total	Level 1	Level 2	Level 3
Mutual funds	\$ 2,799,957	\$ 2,799,957	\$ -	\$ -

	Investment Assets at Fair Value			
	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Mutual funds	\$ 4,392,336	\$ 4,392,336	\$ -	\$ -

FAIRMOUNT PARK CONSERVANCY

Notes to Financial Statements December 31, 2022 and 2021

NOTE E - FAIR VALUE MEASUREMENTS (CONTINUED)

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 years ended December 31, 2022 and 2021, 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 in 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, 2022 and 2021 as follows:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 2,674,923	\$ 4,928,333
Receivable in one to five years	2,849,207	3,340,667
Over five years	<u>225,000</u>	<u>330,000</u>
Total unconditional promises to give	5,749,130	8,599,000
Less: discount to net present value	<u>(63,854)</u>	<u>(91,155)</u>
Net unconditional promises to give	<u>\$ 5,685,276</u>	<u>\$ 8,507,845</u>
Current unconditional promises to give	\$ 2,674,923	\$ 4,928,333
Noncurrent unconditional promises to give	<u>3,010,353</u>	<u>3,579,512</u>
	<u>\$ 5,685,276</u>	<u>\$ 8,507,845</u>

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 range from 0.73% and 1.44% for the years ended December 31, 2022 and 2021, respectively.

FAIRMOUNT PARK CONSERVANCY

Notes to Financial Statements December 31, 2022 and 2021

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Equipment and software	\$ 102,381	\$ 102,381
Furniture and fixtures	15,738	15,738
Leasehold improvements	44,905	44,905
Trucks	<u>130,878</u>	<u>130,878</u>
	293,902	293,902
Less: accumulated depreciation	<u>240,461</u>	<u>196,365</u>
	<u>\$ 53,441</u>	<u>\$ 97,537</u>

Depreciation for the years ended December 31, 2022 and 2021 was \$44,906 and \$53,155, respectively.

NOTE H - LONG-TERM DEBT

The Conservancy obtained a loan of \$150,000 from the SBA under the CARES Act during 2021. During 2022, the Conservancy received an additional \$350,000 loan from the SBA and repayment terms were amended. The loan is payable in monthly installments of interest and principal of \$2,198 that begin in December 2022 and continue through May 2050, with a fixed interest rate of 2.75%. The loan is collateralized by the Conservancy's assets. As of December 31, 2022 and 2021, the balance of the loan was \$499,008 and \$150,000, respectively.

On October 28, 2022, the Conservancy obtained two construction loans from the Reinvestment Fund to assist in financing a project to restore a historic building in Philadelphia's FDR park and a new playground. The project is supported by grants with the City of Philadelphia and a Redevelopment Assistance Capital Program grant with the Commonwealth of Pennsylvania. The grants are to be paid to the Conservancy after the project is complete. The total loan amount available to the Conservancy to be drawn upon for the project is \$7,825,000. During 2022, \$1,562,916 loans were disbursed to the Conservancy. Repayment of principal is based on the timing of the receipt of the grant funding from the City of Philadelphia and the Commonwealth of Pennsylvania. Interest will accrue at a fixed interest rate of 6% and is payable on the 1st day of each month thru October 2026. The loans are collateralized by proceeds of the grants. As of December 31, 2022, the balance of the loan was \$1,562,916.

Interest expense under the loan agreements for the years ended December 31, 2022 and 2021 was \$28,493 and \$433, respectively.

Scheduled future maturities of long-term debt as of December 31, 2022 are as follows:

<u>Year Ending December 31,</u>	
2023	\$ 1,575,276
2024	12,666
2025	13,057
2026	13,421
2027	13,795
Thereafter	<u>433,709</u>
	<u>\$ 2,061,924</u>

FAIRMOUNT PARK CONSERVANCY

Notes to Financial Statements December 31, 2022 and 2021

NOTE I - GRANTS PAYABLE

As of December 31, 2022, grants payable of \$283,570 represent grants payable related to sub-grantees for the design and construction of playful learning enhancements to two playgrounds in Philadelphia, which will be paid in 2023.

NOTE J - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Subject to expenditures for specified purpose:		
Civic engagement:		
Civic engagement	\$ 315,515	\$ 987,705
Park stewardship	6,272	23,000
Capital projects:		
Capital projects	4,233,072	5,489,389
Centennial commons	-	1,119,306
Natural lands	5,000	-
Historic preservation	357,705	347,468
Park activation:		
Arts and culture	11,895	111,000
Park events	349,888	317,897
General operating	6,538,578	8,512,478
	<u>11,817,925</u>	<u>16,908,243</u>
Endowment:		
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriation:		
McNeil endowment - maintenance of Waterworks Project	<u>100,000</u>	<u>100,000</u>
Total endowments	<u>100,000</u>	<u>100,000</u>
	<u>\$ 11,917,925</u>	<u>\$ 17,008,243</u>

FAIRMOUNT PARK CONSERVANCY

**Notes to Financial Statements
December 31, 2022 and 2021**

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 years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restriction:		
Civic engagement:		
Civic engagement	\$ 672,190	\$ 59,162
Park stewardship	36,728	71,938
Capital projects:		
Capital projects	472,306	1,089,018
Centennial commons	1,119,306	260,724
Natural lands	-	8,000
Historic preservation	763	1,294,172
Park activation:		
Arts and culture	99,105	308,700
Park events	451,045	476,783
Administrative/development	2,290,199	1,141,706
Qualified expenses within a covered period related to PPP	-	467,737
	<u>\$ 5,141,642</u>	<u>\$ 5,177,940</u>

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 2029. Rental income was \$184,958 and \$93,508 for the years ended December 31, 2022 and 2021, respectively. Minimum future annual rentals to be received on noncancelable leases as of December 31, 2022 are as follows:

<u>Year Ending December 31,</u>	
2023	\$ 160,536
2024	55,738
2025	48,888
2026	31,504
2027	31,504
Thereafter	31,504
	<u>\$ 359,674</u>

FAIRMOUNT PARK CONSERVANCY

Notes to Financial Statements December 31, 2022 and 2021

NOTE L - 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 had a 401(k) plan covering all full-time employees with 12 months of eligible experience. For each payroll period, the Conservancy would 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 were 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 years ended December 31 2022 and 2021, employer contributions were \$66,286 and \$56,822, respectively.

NOTE M - SUBSEQUENT EVENTS

The Conservancy has evaluated subsequent events through May 24, 2023, which is the date the financial statements were available to be issued.