



**FINANCIAL STATEMENTS
DECEMBER 31, 2015**

ROSE FITZGERALD KENNEDY GREENWAY CONSERVANCY, INC.

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DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Rose Fitzgerald Kennedy Greenway Conservancy, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Rose Fitzgerald Kennedy Greenway Conservancy, Inc. (a Massachusetts corporation, not for profit) which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and changes in net assets, cash flows and functional expenses for the eighteen months 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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rose Fitzgerald Kennedy Greenway Conservancy, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the eighteen months then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on page 18 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Alexander, Brown, Pinning & Co., P.C.

Boston, Massachusetts
March 29, 2016

ROSE FITZGERALD KENNEDY GREENWAY CONSERVANCY, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

<u>ASSETS</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
CURRENT ASSETS:				
Cash and cash equivalents	\$ 925,563	\$ 366,643	\$ -	\$ 1,292,206
Accounts receivable, net	15,890	-	-	15,890
Current portion of grants and pledges receivable (Note 5)	4,353	70,874	-	75,227
Prepaid expenses and other	131,891	-	-	131,891
Total current assets	1,077,697	437,517	-	1,515,214
RESTRICTED CASH (Note 3)	-	176,825	244,103	420,928
GRANTS AND PLEDGES RECEIVABLE (Note 5)	-	19,150	-	19,150
INVESTMENTS (Note 4)	633,683	87,741	13,260,667	13,982,091
PROPERTY AND EQUIPMENT, net (Note 8)	4,157,002	-	-	4,157,002
Total assets	<u>\$ 5,868,382</u>	<u>\$ 721,233</u>	<u>\$ 13,504,770</u>	<u>\$ 20,094,385</u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	\$ 319,056	\$ -	\$ -	\$ 319,056
NET ASSETS:				
Unrestricted (Note 2):				
Operating	784,671	-	-	784,671
Board designated	607,653	-	-	607,653
Property and equipment	4,157,002	-	-	4,157,002
Total unrestricted	5,549,326	-	-	5,549,326
Temporarily restricted (Note 6)	-	721,233	-	721,233
Permanently restricted (Note 6)	-	-	13,504,770	13,504,770
Total net assets	<u>5,549,326</u>	<u>721,233</u>	<u>13,504,770</u>	<u>19,775,329</u>
Total liabilities and net assets	<u>\$ 5,868,382</u>	<u>\$ 721,233</u>	<u>\$ 13,504,770</u>	<u>\$ 20,094,385</u>

The accompanying notes are an integral part of these statements.

ROSE FITZGERALD KENNEDY GREENWAY CONSERVANCY, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE EIGHTEEN MONTHS ENDED DECEMBER 31, 2015

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
OPERATING REVENUE AND SUPPORT:				
Government support, MassDOT	\$ -	\$ 2,885,948	\$ -	\$ 2,885,948
Contributions and grants	263,212	1,974,911	-	2,238,123
Earned revenue	1,142,095	-	-	1,142,095
Endowment draw for current operations	961,508	-	-	961,508
In-kind support, private (see Note 11)	664,064	-	-	664,064
In-kind support, public (see Note 11)	442,500	-	-	442,500
Government support, other grants	-	119,000	-	119,000
Other income	11,086	-	-	11,086
Net assets released from restrictions:				
Satisfaction of time restrictions	25,896	(25,896)	-	-
Satisfaction of purpose restrictions	4,950,172	(4,950,172)	-	-
Subtotal	<u>8,460,533</u>	<u>3,791</u>	<u>-</u>	<u>8,464,324</u>
Fundraising event contributions	491,005	-	-	491,005
Less - fundraising expenses	<u>(138,615)</u>	<u>-</u>	<u>-</u>	<u>(138,615)</u>
Fundraising events, net	<u>352,390</u>	<u>-</u>	<u>-</u>	<u>352,390</u>
Total operating revenue and support	<u>8,812,923</u>	<u>3,791</u>	<u>-</u>	<u>8,816,714</u>
OPERATING EXPENSES:				
Programmatic	7,593,412	-	-	7,593,412
Fundraising	723,367	-	-	723,367
Administration	<u>495,937</u>	<u>-</u>	<u>-</u>	<u>495,937</u>
Total operating expenses before depreciation	<u>8,812,716</u>	<u>-</u>	<u>-</u>	<u>8,812,716</u>
Changes in net assets from operations before depreciation	<u>207</u>	<u>3,791</u>	<u>-</u>	<u>3,998</u>
Depreciation	<u>407,221</u>	<u>-</u>	<u>-</u>	<u>407,221</u>
Changes in net assets from operations	<u>(407,014)</u>	<u>3,791</u>	<u>-</u>	<u>(403,223)</u>
NON-OPERATING REVENUE AND SUPPORT:				
Government support, MassDOT - capital projects	-	299,456	-	299,456
Government support, other grants - capital projects	-	225,000	-	225,000
Contributions and grants - capital projects	-	50,000	-	50,000
Loss on disposal of property and equipment	(303,355)	-	-	(303,355)
Investment income, net of fees	(33,287)	(696,775)	-	(730,062)
Endowment draw for current operations	-	(961,508)	-	(961,508)
Net assets released from capital restrictions	<u>535,015</u>	<u>(535,015)</u>	<u>-</u>	<u>-</u>
Total non-operating revenue and support	<u>198,373</u>	<u>(1,618,842)</u>	<u>-</u>	<u>(1,420,469)</u>
Changes in net assets	<u>(208,641)</u>	<u>(1,615,051)</u>	<u>-</u>	<u>(1,823,692)</u>
NET ASSETS, beginning of year	<u>5,757,967</u>	<u>2,336,284</u>	<u>13,504,770</u>	<u>21,599,021</u>
NET ASSETS, end of year	<u>\$ 5,549,326</u>	<u>\$ 721,233</u>	<u>\$ 13,504,770</u>	<u>\$ 19,775,329</u>

The accompanying notes are an integral part of these statements.

ROSE FITZGERALD KENNEDY GREENWAY CONSERVANCY, INC.

STATEMENT OF CASH FLOWS
FOR THE EIGHTEEN MONTHS ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:	
Changes in net assets	\$(1,823,692)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Realized and unrealized net losses	1,852,706
Capital grants	(574,456)
Depreciation	407,221
Loss on disposal of property and equipment	303,355
Reduction in allowance for uncollectible accounts, grants and pledges	(850)
Changes in operating assets and liabilities:	
Accounts receivable	21,080
Grants and pledges receivable	(35,934)
Prepaid expenses and other	(109,235)
Accounts payable and accrued expenses	(35,805)
Net cash provided by operating activities	<u>4,390</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(10,415,790)
Proceeds from investments	10,639,029
Acquisition of property and equipment	(690,891)
Net cash used in investing activities	<u>(467,652)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Increase in restricted cash	(420,928)
Endowment contributions collected	50,000
Capital grants	574,456
Net cash provided by financing activities	<u>203,528</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(259,734)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,551,940</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,292,206</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Unrealized losses on investments	<u>\$ 2,415,383</u>

The accompanying notes are an integral part of these statements.

ROSE FITZGERALD KENNEDY GREENWAY CONSERVANCY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE EIGHTEEN MONTHS ENDED DECEMBER 31, 2015

	PROGRAMMATIC							
	MAINTENANCE, HORTICULTURE AND RANGERS	PROGRAMS AND PLANNING	PUBLIC ART	OUTREACH	TOTAL PROGRAMMATIC	ADMIN- ISTRATION	FUNDRAISING	TOTAL
Salaries and related expenses	\$ 1,721,092	\$ 478,242	\$ 241,019	\$ 82,587	\$ 2,522,940	\$ 426,865	\$ 528,589	\$ 3,478,394
Direct program expense	659,472	122,253	1,344,924	74,219	2,200,868	4,006	90,401	2,295,275
Contracted services	1,055,545	-	1,131,018	16,000	2,202,563	-	46,602	2,249,165
Legal and accounting	86,596	18,755	48,943	8,022	162,316	32,261	16,122	210,699
Occupancy	108,544	20,112	42,685	2,669	174,010	11,842	22,642	208,494
Office	84,582	18,155	36,913	2,506	142,156	18,565	17,562	178,283
Insurance	150,533	440	14,651	39	165,663	2,201	501	168,365
Professional development	20,251	1,032	1,435	178	22,896	197	948	24,041
Total expenses before depreciation	3,886,615	658,989	2,861,588	186,220	7,593,412	495,937	723,367	8,812,716
Depreciation	125,045	268,876	1,483	97	395,501	257	11,463	407,221
Total expenses after depreciation	<u>\$ 4,011,660</u>	<u>\$ 927,865</u>	<u>\$ 2,863,071</u>	<u>\$ 186,317</u>	<u>\$ 7,988,913</u>	<u>\$ 496,194</u>	<u>\$ 734,830</u>	<u>\$ 9,219,937</u>

The accompanying notes are an integral part of these statements.

ROSE FITZGERALD KENNEDY GREENWAY CONSERVANCY, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 - OPERATIONS AND NONPROFIT STATUS

Operations

Rose Fitzgerald Kennedy Greenway Conservancy, Inc. (the Conservancy) is a private, not for profit corporation dedicated to raising broad-based support to ensure standards of excellence in the design, sustainability, and use of the Rose Fitzgerald Kennedy Greenway (the Greenway). To secure the Greenway's future as one of America's foremost urban parks, the Conservancy advocates for standards of consistency and excellence in design; manages its operations working collaboratively to create, finance, promote, and coordinate public programs and events for the general public to enjoy; and strives to raise adequate and stable funding in support of long-range public uses.

The Conservancy works to achieve its public mission in a public/private partnership with the Commonwealth of Massachusetts as described in the Conservancy's enabling legislation.

The Maintenance, Horticulture and Ranger Department maintains the hardscape, furnishings, and special features, uses organic practices to care for the lawns, beds, and trees; and interfaces with the public, ensuring a safe and welcoming park experience for all visitors. The Programs and Planning Department provides operational support to hundreds of free annual events including farmers markets, concerts, festivals, community celebrations, and public art installations; additionally, the department plans and manages park improvement projects. The Public Art Department is led by a curator, who selects and plans for rotating exhibitions of contemporary public art. The Outreach Department serves as liaison to stakeholders and community members while coordinating communication, marketing, owned media and branding output. The Fundraising Department works to cultivate donors and raise funding support for the Conservancy, and the Administration Department includes finance, human resources and information technology.

Nonprofit Status

The Conservancy is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is generally exempt from Federal and state income taxes pursuant to Section 501(a) of the Code. Donors may deduct contributions made to the Conservancy within the requirements of the Code.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies followed by the management of the Conservancy in the preparation of the accompanying financial statements is set forth below:

Change in Fiscal Year

In July 2015, the Board of Directors voted to approve a change in the Conservancy's fiscal year end from June 30 to December 31 for years beginning on and after July 1, 2014. The change was initiated to better reflect a natural business year and to allow management to develop its annual operating and capital budgets accordingly.

As a result of this change, the Conservancy is presenting the accompanying financial statements to reflect the results for eighteen months ended December 31, 2015, and such presentation will not be comparable to previously audited statements for prior fiscal years that ended on June 30. Starting in 2016, the statements will be presented on a twelve month basis.

ROSE FITZGERALD KENNEDY GREENWAY CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The Conservancy prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Net Assets

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations which the Conservancy may use at its discretion. The Conservancy has grouped its unrestricted net assets into the following categories:

Operating - represent funds available to carry on the operations of the Conservancy.

Board designated - represent unrestricted net assets whose use is subject to designation for specific purposes either as a capital reserve or by action of the Conservancy's Board of Directors.

Property and equipment - represent the resources available and amounts expended for property and equipment, net of related liabilities.

Temporarily Restricted Net Assets - Net assets whose use is limited by state law or donor-imposed stipulations that may or will be met with the passage of time and/or by the actions of the Conservancy (see Notes 6 and 7). Transfers are made to unrestricted net assets from temporarily restricted net assets as costs are incurred or time restrictions have lapsed (see Note 6). Net appreciation (depreciation) of permanently restricted long-term investments is recognized within temporarily restricted net assets until such funds are available to be spent under the Conservancy's spending policy (see Notes 6 and 7).

Permanently Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that they be maintained in perpetuity by the Conservancy. Generally, donors of these assets allow the Conservancy to use all or part of the income, and the realized or unrealized gain, if any, on related investments for general or specific purposes (see Notes 6 and 7).

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases to unrestricted net assets unless their use is restricted by donor-imposed stipulation or by state law. Expirations of temporary restrictions on net assets, due to either the Conservancy fulfilling donor-imposed restrictions or the passage of time, are reported as releases to unrestricted net assets (see Note 6).

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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were used.

ROSE FITZGERALD KENNEDY GREENWAY CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Conservancy considers highly liquid investments with maturities of three (3) months or less at the date of purchase to be cash equivalents. Cash not subjected to either donor-imposed stipulations or restrictions under state law is included in the accompanying financial statements as unrestricted cash; all other cash is treated as temporarily or permanently restricted. See also Note 3.

Cash equivalents held by investment managers are considered part of investments and are categorized according to any donor-imposed restrictions or as required by state law.

Accounts Receivable and Allowance for Uncollectible Accounts

Accounts receivable are reported at the amount management expects to collect on balances outstanding at period end. Management estimates the allowance for doubtful accounts based on historical collections together with a review of the current status of the existing accounts receivable. The allowance for uncollectible accounts receivable as of December 31, 2015, is \$2,150.

Grants and Pledges Receivable and Allowance for Uncollectible Pledges

When an unconditional promise to give is received or the condition has been fulfilled for a conditional promise to give, the corresponding pledges receivable are recorded as revenue at the present value of expected proceeds. Management estimates the allowance for doubtful pledges (see Note 5) based on historical collections together with a review of the current status of the existing pledges receivable.

Revenue Recognition

Contributions may include gifts of cash, collection items, or promises to give. Contributions and government support, including unconditional promises to give, are recognized as revenues in the period received and recorded in the appropriate net asset category in accordance with donor imposed restrictions. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at estimated fair value. When considered material, contributions to be received after one (1) year are discounted at an appropriate discount rate commensurate with the risk involved. Multi-year commitments are recorded during the year of the initial pledge. Temporarily restricted grants and contributions are transferred to unrestricted revenue and support and unrestricted net assets as services are performed and costs are incurred. Earned revenue is recognized as services are provided. Other income is recognized as it is earned.

The Conservancy recognizes in-kind services in accordance with applicable accounting standards if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation (see Note 11).

ROSE FITZGERALD KENNEDY GREENWAY CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

All property and equipment (see Note 8) is stated at cost or, if donated, at the fair market value at the date of receipt. Major renewals, additions and betterments are charged to the property accounts, while replacements, maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed in the period incurred.

Contributions of cash or other assets that must be used to acquire long-lived assets are recorded as temporarily restricted contributions until the assets are acquired and placed in service.

Once property and equipment is acquired and placed into service, depreciation is provided for by using the straight-line method over the estimated useful lives of the related assets, as follows:

	<u>Depreciable Life</u>
Greenway improvements	3 - 20 years
Motor vehicles	4 - 7 years
Office equipment	7 years

Investments

Investments are reported at fair value. The realized and unrealized appreciation (depreciation) in the fair value of such investments is included in the statement of activities in the appropriate net asset categories. Dividends and interest are recorded when earned. Gains and losses are recognized as incurred upon sale or based on fair value changes during the period.

Dividends, interest and net realized and unrealized gains (losses) on investments are reported as non-operating revenue as follows:

- As increases in permanently restricted net assets if the donor-imposed stipulation require that they be added to the corpus of a permanently restricted endowment fund.
- As increases (decreases) in temporarily restricted net assets, net of related investment fees, if the terms of the contribution or relevant state law impose restrictions of current use of income or net gains.
- As increases (decreases) in unrestricted net assets, net of related investment fees, as in all other cases.

Accounting Principle Adoption

In 2015, the Conservancy adopted FASB Accounting Standards Update 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, removing the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. See page 11 and Note 4.

ROSE FITZGERALD KENNEDY GREENWAY CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the Conservancy's various programs and activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, expenses related directly to a function are distributed to that function, while other expenses are allocated based upon management's estimate of the percentage attributable to each function.

Uncertain Tax Positions

The Conservancy accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statement regarding a tax position taken or expected to be taken in a tax return. The Conservancy has determined that there are no uncertain tax positions which qualify for recognition or disclosure in the financial statements at December 31, 2015. The Conservancy's information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

Subsequent Events

The Conservancy has evaluated events and transactions subsequent to December 31, 2015, for potential recognition or disclosure in the financial statements through March 29, 2016, which is the date the financial statements were available for issuance. There were no events that met the criteria for recognition or disclosure in the financial statements.

Fair Value Measurements

The Conservancy determines the fair value of investments and other assets using a framework for measuring fair value, which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three (3) levels of the fair value hierarchy under US GAAP are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Conservancy has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that is observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

ROSE FITZGERALD KENNEDY GREENWAY CONSERVANCY, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Mutual Funds: Valued at the daily closing prices as reported by the funds. The funds held by the Conservancy are deemed to be actively traded and are valued using Level 1 inputs (see page 10).

TIFF Multi Asset Fund (the Fund): The provisions of Accounting Standards Update No. 2015-07, *Fair Value Measurement (Topic 820): Disclosure for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (see page 9) allow the Conservancy to measure the fair value of these investments using the value per share of the investments. For the Fund, this is valued at the monthly closing price as reported by the Fund, a cooperative style investment organization that supports non-profit organizations by using an asset mix that seeks to achieve long-term returns that exceeds inflation plus 5% per annum through a globally diversified portfolio that includes domestic and foreign equities and fixed income instruments as well as hedging and futures vehicles. Shares in the Fund may be redeemed by the Conservancy at its request. However, the shares held by the Conservancy are deemed not to be actively traded.

NOTE 3 - RESTRICTED CASH

Restricted cash is restricted for the following purposes:

Endowment	\$ 244,103
Capital projects	<u>176,825</u>
	<u>\$ 420,928</u>

NOTE 4 - INVESTMENTS

A description of the valuation methodologies used for assets measured at fair value is included in Note 2. The following table sets forth by level, within the fair value hierarchy (see Note 2), the Conservancy's invested assets at fair value as of December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds – stock funds	\$ 3,918,297	\$ -	\$ -	\$ 3,918,297
TIFF Multi Asset Fund*	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,063,794</u>
	<u>\$ 3,918,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,982,091</u>

* In accordance with ASC Subtopic 820-10 (see Note 2), certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

ROSE FITZGERALD KENNEDY GREENWAY CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

NOTE 4 - INVESTMENTS (Continued)

Investment income, net, consists of the following for the eighteen months ended December 31, 2015:

Interest and dividends	\$ 1,210,505
Net realized gain on sale of investments	562,677
Investment fees	(87,861)
Net unrealized losses on investments	<u>(2,415,383)</u>
	<u>\$ (730,062)</u>

Substantially all investments are components of the Conservancy's endowment (see Note 7). Accordingly, these investments have been classified as non-current assets in the accompanying statements of financial position regardless of maturity or liquidity of the individual securities held. Investments are not insured and are subject to ongoing market fluctuations.

NOTE 5 - GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable are due as follows at December 31, 2015:

Due in one year	\$ 75,227
Due in two years	<u>19,150</u>
	<u>\$ 94,377</u>

As of December 31, 2015, all grants and pledges receivable are deemed to be fully collectible, and as a result no allowance has been recorded. The Conservancy has not recorded a discount on long-term grants and pledges receivable as the amount is not material.

NOTE 6 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets were available for use based upon donor-imposed stipulations and time periods as follows at December 31, 2015:

Maintenance and Horticulture	\$ 280,529
Public Art	198,774
Capital Projects	197,472
General Operations – time restricted	26,104
Programs & Events	<u>18,354</u>
	<u>\$ 721,233</u>

ROSE FITZGERALD KENNEDY GREENWAY CONSERVANCY, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

NOTE 6 - TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (Continued)

Temporarily Restricted Net Assets (Continued)

During the eighteen months ended December 31, 2015, net assets were released from restriction for the following programs and purposes and other restrictions:

Maintenance and Horticulture	\$ 3,085,586
Public Art	1,810,701
Endowment draw for current operations	961,508
Capital Projects	535,015
Programs & Design	53,885
General Operations – time restrictions	<u>25,896</u>
	<u>\$ 6,472,591</u>

Permanently Restricted Net Assets

Permanently restricted net assets were restricted for the following purposes at December 31, 2015:

General endowment	\$ 12,319,020
Park specific	837,000
Education	<u>348,750</u>
	<u>\$ 13,504,770</u>

NOTE 7 - ENDOWMENTS

The composition of endowment net assets and the changes in endowment net assets by class are as follows for the eighteen months ended December 31, 2015:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2014	\$ <u>1,658,283</u>	\$ <u>13,504,770</u>	\$ <u>15,163,053</u>
Investment return:			
Interest and dividends	1,053,853	-	1,053,853
Investment fees	(81,765)	-	(81,765)
Realized gains	527,754	-	527,754
Unrealized losses	<u>(2,196,617)</u>	<u>-</u>	<u>(2,196,617)</u>
Total investment return	<u>(696,775)</u>	<u>-</u>	<u>(696,775)</u>
Endowment draw for current operations	<u>(961,508)</u>	<u>-</u>	<u>(961,508)</u>
Endowment net assets, December 31, 2015	<u>\$ -</u>	<u>\$ 13,504,770</u>	<u>\$ 13,504,770</u>

ROSE FITZGERALD KENNEDY GREENWAY CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

(Continued)

NOTE 7 - ENDOWMENTS (Continued)

The Conservancy adheres to the Massachusetts adopted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Subject to the intent of a donor, an institution may appropriate for expenditure or accumulate so much of a permanently restricted endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the permanently restricted endowment fund is established. The assets in a permanently restricted endowment fund are donor-restricted assets until appropriated according to the donor stipulation for expenditure by the Conservancy.

The Conservancy has adopted an investment and spending policy for its endowment assets and for any Board designated net assets that are designed to preserve capital through downside risk management while providing a level of support for the Conservancy and its programs in accordance with UPMIFA. Under its investment policy, the endowment assets are to be invested to provide a total rate of return commensurate with prudent diversification and moderate risk. Risk and diversification parameters have been established and the endowment is maintained and rebalanced accordingly. The Conservancy relies on a total rate of return strategy that targets 4.5% plus the rate of inflation over a full seven year business cycle. Investment returns are achieved through both capital appreciation (realized and unrealized) and current income (interest and dividends). While it is understood that the endowment assets are to be managed with a long-term focus, endowment performance is monitored quarterly in relation to several appropriate benchmarks.

The Conservancy has a policy of appropriating for operations each year up to 4.5% of the rolling average of the prior twelve quarter-end fair values. These amounts are reflected as endowment draw for current operations in the accompanying financial statements and the table on page 13. In establishing this policy, the Conservancy considered the expected returns plus an adjustment for inflation. This is consistent with the stated goal of enhancing the purchasing power of the endowment over time, while providing necessary funds for operations. In the event of a significant market decline, the Conservancy will consider all factors relevant to the stated goal in determining any change to the appropriation as allowed by UPMIFA.

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2015:

Greenway improvements	\$ 4,786,180
Motor vehicles	110,003
Office equipment	<u>23,143</u>
	4,919,326
Less - accumulated depreciation	<u>762,324</u>
	<u>\$ 4,157,002</u>

ROSE FITZGERALD KENNEDY GREENWAY CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)

NOTE 9 - MASSACHUSETTS DEPARTMENT OF TRANSPORTATION

The Greenway is a mile-and-a-half stretch of public land in downtown Boston reclaimed by the suppression of the Central Artery. It includes approximately 17 acres of public park land. The Greenway is owned by the Massachusetts Department of Transportation (Mass DOT), the successor of the Massachusetts Turnpike Authority (MTA). Chapter 306 of the Acts of 2008 authorizes the Conservancy to lease the Greenway from the MTA, and under that lease, to operate, preserve, maintain, program, manage, and improve the Greenway.

The Conservancy's care of the Greenway through the lease with MassDOT began on February 9, 2009, and continues through June 30, 2017; MassDOT and the Conservancy are regularly in discussions about extending the lease beyond June 2017. The state statute holds that no extension is to exceed ten (10) years in duration and cumulatively not to exceed fifty-five (55) years in duration.

In conjunction with the lease, MassDOT provides government support to the Conservancy (see Note 11) under a subsidy agreement that ends on December 31, 2016. The Conservancy anticipates that it will receive \$1,987,596 of support in accordance with the current agreement through December 31, 2016. MassDOT and the Conservancy are regularly in discussions about extending the subsidy agreement.

NOTE 10 - OPERATING LEASE

The Conservancy has its offices within a building operated by MassDOT (see Note 9). The Conservancy is not required to pay rent for use of the premises during the term of the lease. The estimated fair market value of the occupancy was \$11,583 per month for for the eighteen months ended December 31, 2015, and has been reported in the accompanying financial statements as both in-kind revenue and expense. For the eighteen months ended December 31, 2015, in-kind support and occupancy expense related to the lease was \$208,494 (see Note 11).

NOTE 11 - IN-KIND SUPPORT - GOODS, SERVICES AND USE OF FACILITIES

Organizations may contribute goods, services and use of facilities to the Conservancy in support of its programs. These goods, services and use of facilities are reflected in the accompanying financial statements based upon the estimated value assigned to them by the donors, agencies or by management. The value of these goods and services are as follows for the eighteen months ended December 31, 2015:

Utilities – public	\$ 234,006
Office space - public (see Note 10)	<u>208,494</u>
Total in-kind support - public	<u>442,500</u>
Other goods and services - private	355,371
Legal services - private	<u>308,693</u>
Total in-kind support - private	<u>664,064</u>
	<u>\$ 1,106,564</u>

ROSE FITZGERALD KENNEDY GREENWAY CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

(Continued)

NOTE 12 - CONCENTRATIONS

For the eighteen months ended December 31, 2015, MassDOT (see Note 9) provided \$3,185,404 in government support and an additional \$442,500 of in-kind support. Government support is recorded as temporarily restricted contributions and the funds are released to unrestricted net assets as the Conservancy expends the funds as stipulated by MassDOT. In-kind support is recorded as unrestricted revenue (see Note 11).

Four donors comprise 95% of the balance in grants and pledges receivable as of December 31, 2015.

The Conservancy has a potential concentration of credit risk in that it sometimes maintains deposits with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). The maximum deposit insurance amount is \$250,000 per depositor at each bank after aggregating both non-interest and interest bearing accounts. At times, cash and cash equivalents exceeded the insured limits. The Conservancy has not experienced any losses in these accounts. The Conservancy believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 13 - COMMITMENT

On May 30, 2013, the Conservancy entered into an agreement with a vendor to provide basic care services (e.g., lawn mowing and trash removal) on the Greenway (see Note 1). The agreement expires July 1, 2016, and contains two three-year extension options. The agreement will terminate automatically prior to the end of the agreement should the Greenway's lease with the MassDOT (see Note 9) terminate. The agreement may be terminated by either party with thirty days written notice. Under the original agreement, the Conservancy paid the vendor \$44,757 per month for basic services. On July 1, 2015, the contract was amended due to increased responsibilities and wage rates to a new monthly rate of \$48,550 for basic services, and pays additional amounts for additional services on an as-needed basis. Total payments for basic services under this agreement were \$828,384 for the eighteen months ended December 31, 2015, and are included in contracted services in the accompanying financial statements. Remaining future minimum payments for basic services under this agreement for the year ended December 31, 2016, total \$291,300.

NOTE 14 - CONTINGENCY

In the ordinary course of its business, the Conservancy is, from time-to-time, involved in disputes with park patrons. The Conservancy denies any wrongdoing in these cases and is taking the appropriate legal steps in defense of these disputes. It is management's opinion that any potential settlement would not be material to the accompanying financial statements as of December 31, 2015.

NOTE 15 – RELATED PARTY TRANSACTION

A not-for-profit organization (the Organization) has a park that is adjacent to the Conservancy's space on the Greenway. The Organization's Board of Directors chairperson is also on the Conservancy's Board of Directors. Based on a contract executed before the chairperson became a member of the Conservancy's Board of Directors, the Organization pays the Conservancy for maintenance, snow removal, and related work done at the park. These payments in total were approximately \$102,000 for the eighteen months ended December 31, 2015.

ROSE FITZGERALD KENNEDY GREENWAY CONSERVANCY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

(Continued)

NOTE 16 – CONDITIONAL GRANT

During the eighteen months ended December 31, 2015, a foundation awarded the Conservancy a grant of \$150,000, which was recognized in temporarily restricted contributions and grants revenue in the accompanying statement of activities and changes in net assets. Additionally, the foundation made a grant of up to \$150,000 payable in 2016 that is not reflected in the accompanying financial statements since the grant is conditional on the Conservancy progress against milestones.

NOTE 17 - RETIREMENT PLAN

The Conservancy maintains a defined contribution retirement plan (the Plan) under Section 403(b) of the IRC (see Note 1). The Conservancy matches certain employee contributions, as defined in the Plan, for eligible employees, as defined in the Plan. For the eighteen months ended December 31, 2015, the Conservancy made matching contributions to the Plan totaling \$26,821.

SUPPLEMENTAL INFORMATION

ROSE FITZGERALD KENNEDY GREENWAY CONSERVANCY, INC.

SUPPLEMENTAL STATEMENT OF FUNCTIONAL EXPENSES AND CAPITAL EXPENDITURES -
 MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
 EXCLUDING IN-KIND
 FOR THE EIGHTEEN MONTHS ENDED DECEMBER 31, 2015

PROGRAMMATIC

	<u>MAINTENANCE, HORTICULTURE AND RANGERS</u>	<u>PROGRAMS AND PLANNING</u>	<u>PUBLIC ART</u>	<u>OUTREACH</u>	<u>TOTAL PROGRAMMATIC</u>	<u>ADMIN- ISTRATION</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries and related expenses	\$ 1,267,578	\$ -	\$ -	\$ -	\$ 1,267,578	\$ -	\$ -	\$ 1,267,578
Contracted services	1,031,781	-	-	-	1,031,781	-	-	1,031,781
Direct program expense	324,190	4,000	-	-	328,190	-	-	328,190
Insurance	147,463	-	-	-	147,463	-	-	147,463
Office expense	70,697	-	-	-	70,697	-	-	70,697
Legal and accounting	29,090	-	-	-	29,090	-	-	29,090
Professional development	11,149	-	-	-	11,149	-	-	11,149
Total expenses	2,881,948	4,000	-	-	2,885,948	-	-	2,885,948
Capital expenditures	122,632	-	-	-	122,632	-	-	122,632
Total expenses and capital expenditures	<u>\$ 3,004,580</u>	<u>\$ 4,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,008,580</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,008,580</u>