WESTERN PENNSYLVANIA CONSERVANCY
YEARS ENDED DECEMBER 31, 2016 AND 2015

TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Auditor's Report</td>
<td>1</td>
</tr>
<tr>
<td><strong>Financial Statements:</strong></td>
<td></td>
</tr>
<tr>
<td>Statements of Financial Position</td>
<td>3</td>
</tr>
<tr>
<td>Statements of Activities:</td>
<td></td>
</tr>
<tr>
<td>- Year Ended December 31, 2016</td>
<td>4</td>
</tr>
<tr>
<td>- Year Ended December 31, 2015</td>
<td>5</td>
</tr>
<tr>
<td>Statements of Cash Flows</td>
<td>6</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>7</td>
</tr>
<tr>
<td><strong>Supplementary Information:</strong></td>
<td></td>
</tr>
<tr>
<td>Schedule of Expenditures of Federal Awards</td>
<td>29</td>
</tr>
<tr>
<td>Notes to Schedule of Expenditures of Federal Awards</td>
<td>31</td>
</tr>
<tr>
<td>Schedules of Unrestricted Operating Revenues and Public Support</td>
<td>32</td>
</tr>
<tr>
<td><strong>Independent Auditor's Reports Required by the Uniform Guidance:</strong></td>
<td></td>
</tr>
<tr>
<td>Independent Auditor’s Report on Internal Control over Financial</td>
<td>33</td>
</tr>
<tr>
<td>Reporting and on Compliance and Other Matters Based on an Audit of</td>
<td></td>
</tr>
<tr>
<td>Financial Statements Performed in Accordance with Government</td>
<td></td>
</tr>
<tr>
<td>Auditing Standards</td>
<td></td>
</tr>
<tr>
<td>Independent Auditor’s Report on Compliance for the Major Program and</td>
<td>35</td>
</tr>
<tr>
<td>Internal Control over Compliance Required by the Uniform Guidance</td>
<td></td>
</tr>
<tr>
<td>Schedule of Findings and Questioned Costs</td>
<td>37</td>
</tr>
<tr>
<td>Summary Schedule of Prior Audit Findings</td>
<td>38</td>
</tr>
</tbody>
</table>
Independent Auditor’s Report

Board of Directors
Western Pennsylvania Conservancy

Report on the Financial Statements

We have audited the accompanying financial statements of the Western Pennsylvania Conservancy (Conservancy), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes 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 the Conservancy as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.
Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of unrestricted operating revenues and public support is presented for purposes of additional analysis and is also 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, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 18, 2017, on our consideration of the Conservancy’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Conservancy’s internal control over financial reporting and compliance.

Makor Duessel

Pittsburgh, Pennsylvania
May 18, 2017
## WESTERN PENNSYLVANIA CONSERVANCY

### STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

<table>
<thead>
<tr>
<th>Assets</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,103,361</td>
<td>$3,381,896</td>
</tr>
<tr>
<td>Cash held for land acquisition</td>
<td>2,784,402</td>
<td>149,448</td>
</tr>
<tr>
<td>Accounts and pledges receivable</td>
<td>2,883,887</td>
<td>2,765,521</td>
</tr>
<tr>
<td>Notes receivable</td>
<td>405,000</td>
<td>400,000</td>
</tr>
<tr>
<td>Museum shop inventories</td>
<td>441,448</td>
<td>407,233</td>
</tr>
<tr>
<td>Prepaid expenses and deposits</td>
<td>885,070</td>
<td>718,328</td>
</tr>
<tr>
<td>Investments</td>
<td>47,449,398</td>
<td>44,518,799</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>13,078,197</td>
<td>12,797,746</td>
</tr>
<tr>
<td>Fallingwater® and fine art collection</td>
<td>5,627,715</td>
<td>5,623,715</td>
</tr>
<tr>
<td>Land conservation projects</td>
<td>20,363,609</td>
<td>17,868,428</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$95,022,087</strong></td>
<td><strong>$88,631,114</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land escrows</td>
<td>$2,784,402</td>
<td>$149,448</td>
</tr>
<tr>
<td>Accounts payable and other liabilities</td>
<td>1,476,501</td>
<td>1,410,105</td>
</tr>
<tr>
<td>Notes payable and other obligations</td>
<td>1,033,870</td>
<td>1,088,233</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>5,294,773</strong></td>
<td><strong>2,647,786</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Assets</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>61,437,914</td>
<td>57,436,145</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>13,349,191</td>
<td>13,662,028</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>14,940,209</td>
<td>14,885,155</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td><strong>89,727,314</strong></td>
<td><strong>85,983,328</strong></td>
</tr>
</tbody>
</table>

**Total Liabilities and Net Assets**                                     | **$95,022,087**| **$88,631,114**|

See accompanying notes to financial statements.
WESTERN PENNSYLVANIA CONSERVANCY  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2016

<table>
<thead>
<tr>
<th>Operating Revenues and Public Support:</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions, gifts, and grants</td>
<td>$4,893,661</td>
<td>$4,752,392</td>
<td>$53,854</td>
<td>$9,699,907</td>
</tr>
<tr>
<td>Memberships</td>
<td>1,093,908</td>
<td>-</td>
<td>-</td>
<td>1,093,908</td>
</tr>
<tr>
<td>Admissions</td>
<td>4,353,579</td>
<td>-</td>
<td>-</td>
<td>4,353,579</td>
</tr>
<tr>
<td>Sales</td>
<td>2,462,053</td>
<td>-</td>
<td>-</td>
<td>2,462,053</td>
</tr>
<tr>
<td>Investment return designated for</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>current operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent, royalties, and miscellaneous</td>
<td>676,553</td>
<td>-</td>
<td>-</td>
<td>676,553</td>
</tr>
<tr>
<td>income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets released from restrictions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction of program restrictions</td>
<td>4,690,174</td>
<td>(4,690,174)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total operating revenues and public</td>
<td>20,494,270</td>
<td>595,947</td>
<td>53,854</td>
<td>21,144,071</td>
</tr>
<tr>
<td>support</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses:</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Programs</td>
<td>16,496,500</td>
<td>-</td>
<td>-</td>
<td>16,496,500</td>
</tr>
<tr>
<td>General and administrative</td>
<td>1,867,508</td>
<td>-</td>
<td>-</td>
<td>1,867,508</td>
</tr>
<tr>
<td>Development and fundraising</td>
<td>1,425,921</td>
<td>-</td>
<td>-</td>
<td>1,425,921</td>
</tr>
<tr>
<td>Total expenses</td>
<td>19,789,929</td>
<td>-</td>
<td>-</td>
<td>19,789,929</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change in Net Assets from Operations</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>704,341</td>
<td>595,947</td>
<td>53,854</td>
<td>1,354,142</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-Operating Support and Income:</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment return in excess of (less than) amount designated for current operations</td>
<td>944,454</td>
<td>(227,852)</td>
<td>1,200</td>
<td>717,802</td>
</tr>
<tr>
<td>Capital gifts, grants, and other income</td>
<td>1,188,694</td>
<td>540,997</td>
<td>-</td>
<td>1,729,691</td>
</tr>
<tr>
<td>Net assets released from restrictions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction of capital purpose restrictions</td>
<td>1,221,929</td>
<td>(1,221,929)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Changes in charitable gift annuities</td>
<td>(70,649)</td>
<td>-</td>
<td>-</td>
<td>(70,649)</td>
</tr>
<tr>
<td>Net gain (loss) on conveyance of land</td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net gain (loss) on other assets</td>
<td>13,000</td>
<td></td>
<td>-</td>
<td>13,000</td>
</tr>
<tr>
<td>Total non-operating support and income</td>
<td>3,297,428</td>
<td>(908,784)</td>
<td>1,200</td>
<td>2,389,844</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change in Net Assets</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4,001,769</td>
<td>(312,837)</td>
<td>55,054</td>
<td>3,743,986</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Assets:</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of year</td>
<td>57,436,145</td>
<td>13,662,028</td>
<td>14,885,155</td>
<td>85,983,328</td>
</tr>
<tr>
<td>End of year</td>
<td>$61,437,914</td>
<td>$13,349,191</td>
<td>$14,940,209</td>
<td>$89,727,314</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
## Western Pennsylvania Conservancy

### Statement of Activities

**Year Ended December 31, 2015**

<table>
<thead>
<tr>
<th>Category</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues and Public Support:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions, gifts, and grants</td>
<td>$ 5,086,344</td>
<td>$ 3,937,592</td>
<td>$ 62,929</td>
<td>$ 9,086,865</td>
</tr>
<tr>
<td>Memberships</td>
<td>1,083,508</td>
<td>-</td>
<td>-</td>
<td>1,083,508</td>
</tr>
<tr>
<td>Admissions</td>
<td>4,126,741</td>
<td>-</td>
<td>-</td>
<td>4,126,741</td>
</tr>
<tr>
<td>Sales</td>
<td>2,436,023</td>
<td>-</td>
<td>-</td>
<td>2,436,023</td>
</tr>
<tr>
<td>Investment return designated for current operations</td>
<td>2,349,853</td>
<td>451,801</td>
<td>-</td>
<td>2,801,654</td>
</tr>
<tr>
<td>Rent, royalties, and miscellaneous income</td>
<td>457,171</td>
<td>-</td>
<td>-</td>
<td>457,171</td>
</tr>
<tr>
<td><strong>Net assets released from restrictions:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction of program restrictions</td>
<td>4,783,108</td>
<td>(4,783,108)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total operating revenues and public support:</strong></td>
<td>20,322,748</td>
<td>(393,715)</td>
<td>62,929</td>
<td>19,991,962</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Programs</td>
<td>16,733,258</td>
<td>-</td>
<td>-</td>
<td>16,733,258</td>
</tr>
<tr>
<td>General and administrative</td>
<td>1,817,246</td>
<td>-</td>
<td>-</td>
<td>1,817,246</td>
</tr>
<tr>
<td>Development and fundraising</td>
<td>1,486,823</td>
<td>-</td>
<td>-</td>
<td>1,486,823</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>20,037,327</td>
<td>-</td>
<td>-</td>
<td>20,037,327</td>
</tr>
<tr>
<td><strong>Change in net assets from operations:</strong></td>
<td>285,421</td>
<td>(393,715)</td>
<td>62,929</td>
<td>(45,365)</td>
</tr>
<tr>
<td><strong>Non-operating Support and Income:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment return in excess of (less than) amount designated for current operations</td>
<td>(3,112,863)</td>
<td>(1,389,411)</td>
<td>(7,460)</td>
<td>(4,509,734)</td>
</tr>
<tr>
<td>Capital gifts, grants, and other income</td>
<td>622,474</td>
<td>1,003,512</td>
<td>-</td>
<td>1,625,986</td>
</tr>
<tr>
<td><strong>Net assets released from restrictions:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfaction of capital purpose restrictions</td>
<td>1,028,395</td>
<td>(1,028,395)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Changes in charitable gift annuities</td>
<td>(1,731)</td>
<td>-</td>
<td>-</td>
<td>(1,731)</td>
</tr>
<tr>
<td>Net gain (loss) on conveyance of land</td>
<td>(2,699,563)</td>
<td>-</td>
<td>-</td>
<td>(2,699,563)</td>
</tr>
<tr>
<td>Net gain (loss) on other assets</td>
<td>9,037</td>
<td>-</td>
<td>-</td>
<td>9,037</td>
</tr>
<tr>
<td><strong>Total non-operating support and income:</strong></td>
<td>(4,154,251)</td>
<td>(1,414,294)</td>
<td>(7,460)</td>
<td>(5,576,005)</td>
</tr>
<tr>
<td><strong>Change in net assets:</strong></td>
<td>(3,868,830)</td>
<td>(1,808,009)</td>
<td>55,469</td>
<td>(5,621,370)</td>
</tr>
</tbody>
</table>

### Net Assets:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Amount</th>
<th>Amount</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of year</td>
<td>61,304,975</td>
<td>15,470,037</td>
<td>14,829,686</td>
<td>91,604,698</td>
</tr>
<tr>
<td>End of year</td>
<td>$ 57,436,145</td>
<td>$ 13,662,028</td>
<td>$ 14,885,155</td>
<td>$ 85,983,328</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
WESTERN PENNSYLVANIA CONSERVANCY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2016 AND 2015

<table>
<thead>
<tr>
<th>Cash Flows From Operating Activities:</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$3,743,986</td>
<td>$(5,621,370)</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>876,772</td>
<td>682,152</td>
</tr>
<tr>
<td>Contribution of property and equipment</td>
<td>(170,000)</td>
<td>-</td>
</tr>
<tr>
<td>Contribution of land conservation project</td>
<td>(989,000)</td>
<td>-</td>
</tr>
<tr>
<td>Accretion of interest-free note payable</td>
<td>14,778</td>
<td>14,778</td>
</tr>
<tr>
<td>Net realized and unrealized (gains) losses on long-term investments</td>
<td>(2,794,059)</td>
<td>2,568,091</td>
</tr>
<tr>
<td>Contributions restricted for long-term purposes</td>
<td>(53,854)</td>
<td>(62,929)</td>
</tr>
<tr>
<td>(Gain) loss on the conveyance of land</td>
<td>-</td>
<td>2,699,563</td>
</tr>
<tr>
<td>(Gain) loss on the disposal of other assets</td>
<td>(13,000)</td>
<td>(9,037)</td>
</tr>
<tr>
<td>Changes in assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts and pledges receivable</td>
<td>(211,848)</td>
<td>1,458,700</td>
</tr>
<tr>
<td>Inventories</td>
<td>(34,215)</td>
<td>(15,118)</td>
</tr>
<tr>
<td>Notes receivable</td>
<td>(5,000)</td>
<td>(400,000)</td>
</tr>
<tr>
<td>Prepaids and other deposits</td>
<td>(166,742)</td>
<td>(141,179)</td>
</tr>
<tr>
<td>Land conservation projects</td>
<td>(899,087)</td>
<td>(6,636,569)</td>
</tr>
<tr>
<td>Charitable gift annuities</td>
<td>297</td>
<td>131,241</td>
</tr>
<tr>
<td>Accounts payable and other liabilities</td>
<td>33,114</td>
<td>541,964</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>(667,858)</td>
<td>(4,789,713)</td>
</tr>
</tbody>
</table>

| Cash Flows From Investing Activities: |        |        |
| Purchase of property and equipment   | 944,941 | (786,585) |
| Purchase of land and conservation projects | (1,287,402) | (1,386,270) |
| Purchase of investments              | (18,942,857) | (15,316,250) |
| Proceeds from sale of investments    | 18,806,317 | 15,564,635 |
| Net cash provided by (used in) investing activities | (2,368,883) | (1,924,470) |

| Cash Flows From Financing Activities: |        |        |
| Collections of contributions for long-term purposes | 147,336 | 433,981 |
| (Payments on) proceeds from contributions for land acquisition | 2,634,954 | 37,565 |
| Proceeds from note payable            | -       | 545,426 |
| Repayment of note payable             | (20,639) | (16,495) |
| Capital lease payments                | (19,550) | (48,629) |
| Repayment of line of credit           | (29,249) | (152,918) |
| Reimbursements for land conservation projects | 680,308 | 6,088,996 |
| Net cash provided by (used in) financing activities | 3,393,160 | 6,887,926 |

<table>
<thead>
<tr>
<th>Net Increase (Decrease) in Cash and Cash Equivalents</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>356,419</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash and Cash Equivalents:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of year</td>
<td>3,531,344</td>
<td>3,357,601</td>
</tr>
<tr>
<td>End of year</td>
<td>$3,887,763</td>
<td>$3,531,344</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Supplemental Schedule of Noncash Investing and Financing Activities:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution of property and equipment</td>
<td>$170,000</td>
<td>-</td>
</tr>
<tr>
<td>Contribution of land conservation project</td>
<td>989,000</td>
<td>-</td>
</tr>
<tr>
<td>Construction in progress purchases included in accounts payable</td>
<td>33,282</td>
<td>-</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
1. Organization and Summary of Significant Accounting Policies

Organization

The Western Pennsylvania Conservancy (Conservancy) is a public 501(c)(3) tax-exempt nonprofit organization that protects and restores exceptional places to provide our region with clean waters and healthy forest, wildlife, and natural areas for the benefit of present and future generations. The Conservancy creates green spaces and gardens, contributing to the vitality of our cities and towns, and preserves Fallingwater, a symbol of people living in harmony with nature.

The Conservancy’s support comes through membership revenues, grants, contracts, private and public donations, Fallingwater admissions and sales, and investment income.

Basis of Accounting

The financial statements of the Conservancy have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Use of Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. In preparing the financial statements, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ significantly from those estimates.

Cash and Cash Equivalents

The Conservancy considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The majority of cash and cash equivalents are maintained in short-term, interest-bearing money market accounts. The Conservancy maintains cash at various financial institutions that may exceed federally insured amounts at times.
Accounts Receivable

Accounts receivable consist of amounts due under contracts and grants. Accounts receivable are stated at the amount that management expects to collect from balances outstanding at year-end. Based on management’s assessment of the credit history with those having outstanding balances and current relationships with the Conservancy, it believes that realized losses on balances outstanding at year-end will be immaterial. Accordingly, no allowance for doubtful accounts is deemed necessary.

Inventory

The museum shop, operating in connection with Fallingwater, maintains an inventory of gift items. The inventory is valued at the lower of cost or market, with cost determined using the specific identification method.

Investments

Investments are carried at fair value. Those investments received as gifts or donations are recorded at their fair value on the date received. Net appreciation in the fair value of investments, other than that restricted by donors, is reflected in unrestricted revenues and gains.

Gain on sale of investments is calculated on the specific identification method based on the original cost of the holding.

The Board of Directors (Board) of the Conservancy approves annual drawdowns from the investment portfolio during the budget process in accordance with the spending policy. During 2016 and 2015, a cash drawdown of $2,858,071 and $2,801,654, respectively, was made. This distribution is periodically transferred to the Conservancy’s operating funds. The amount transferred is reflected in operating revenues and public support as investment return designated for current operations. The difference between total investment income and the transfer is reflected in non-operating support and income.

The income from certain permanently restricted endowment funds is restricted by the donors for specific programs. If program expenditures have equaled or exceeded the income generated by these funds, the amount of annual income from these funds is included in unrestricted earnings. If program expenditures have not exceeded the income generated by these funds, the amount of annual income from these funds is included in temporarily restricted earnings.
Property and Equipment

Buildings and equipment acquired are recorded at cost. Depreciation is computed over the following estimated useful lives of the assets using the straight-line method:

<table>
<thead>
<tr>
<th>Description</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>40</td>
</tr>
<tr>
<td>Renovations and improvements</td>
<td>10-15</td>
</tr>
<tr>
<td>Vehicles and equipment</td>
<td>5-10</td>
</tr>
</tbody>
</table>

Maintenance and repairs that are not considered to extend the useful lives of assets are charged to operations as incurred. Expenditures for additions and improvements are capitalized. Upon sale or retirement, the cost of assets and related allowances are removed from the accounts, and any resulting gains or losses are included in income (expense) for the year.

Fallingwater® and the Fine Art Collection

Fallingwater and the fine art collection include Fallingwater, a home designed by Frank Lloyd Wright in Mill Run, Pennsylvania, and various works of art. Items purchased for Fallingwater and the fine art collection are recorded at cost; items donated are recorded based on appraised values at the date of donation. Other donations of collectible items are recorded at fair value upon receipt of notification from the donor. In accordance with prevailing accounting practices, Fallingwater and the fine art collection, whose useful lives are extraordinarily long, are presently not required to be, and therefore are not being, depreciated. Gains or losses from deaccessions, if any, of these items are reflected on the statements of activities.

Land Conservation Projects and Easements

The Conservancy acquires, protects, and holds land for conservation purposes. Land is valued at cost or, in the case of donated land, at fair value on the date of the contribution. The Conservancy capitalizes certain costs incurred during the time the land is being acquired and protection activities are underway. These costs include development, land improvements, legal fees, and miscellaneous other items. Grants received as reimbursement for land costs on projects where the Conservancy does not intend to hold the land for the long-term reduce the cost basis of the land.

The Conservancy holds certain conservation easements and deed restrictions (easements). Easements can be acquired by donations from landowners or by sale of
a piece of land owned by the Conservancy, where part of the agreement is that the
Conservancy retains the easement on the land after the sale. The Conservancy has
also obtained easements from third parties under which a third party creates the
easement at the time of its conveyance of the property. Easements acquired through
the donation, easements established by retention of rights, and easements created by
third parties are not recorded in the financial statements. Additionally, the
Conservancy obtains easements through purchases directly from owners. Purchased
easements are recorded at cost and reduced to a carrying value of $1 by the amount of
any restricted grants received specifically for the easement purchases and by
expensing the amount of the easement purchase funded by unrestricted revenue.
Total acreage held as easements is disclosed in Note 6.

Land Escrows

Grants received for specific acquisitions of land which the Conservancy intends to
convey after purchase are recorded as land escrows until the property is purchased, at
which time revenue is recognized.

Revenue Recognition

Grant revenue is recognized when earned, based on the terms of the grants.
Contributions received are recorded as unrestricted, temporarily restricted, or
permanently restricted support, depending on the existence and/or nature of any donor
restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently
restricted net assets, depending on the nature of the restriction. When a restriction
expires (that is, when a stipulated time restriction ends or purpose restriction is
accomplished), temporarily restricted net assets are reclassified to unrestricted net
assets and reported in the statements of activities as net assets released from
restrictions.

Pledges receivable are recognized as revenues in the period received. Conditional
promises to give are recognized when the conditions on which they depend are
substantially met (see Note 2).

The Conservancy reports gifts of land, buildings, and equipment as unrestricted
support unless explicit donor stipulations specify how the donated assets must be
used. Gifts of long-lived assets with explicit restrictions that specify how the assets
are to be used, and gifts of cash or other assets that must be used to acquire long-lived
assets, are reported as restricted support. Absent explicit donor stipulations about
how long those long-lived assets must be maintained, the Conservancy considers
donor restrictions to have expired when the donated or acquired long-lived assets are
placed in service.

Memberships, Admissions and Sales

Membership gifts are reflected as revenue when received. Membership gifts are
payable on an annual basis and initiated by donors throughout the year. Admissions
and merchandise sales are recognized at the time of sale or services provided.

Net Assets

The net assets of the Conservancy are reported in each of the following three classes:
a) unrestricted net assets, b) temporarily restricted net assets, and c) permanently
restricted net assets. Net assets of the two restricted classes are created only by
donor-imposed restrictions on their use. All other net assets are unrestricted and are
reported as part of the unrestricted class.

Non-Operating Support and Income

The Conservancy includes all support and income as an increase in net assets from
operations except certain investment income, contributions, and net gains and losses
from the conveyance of properties or sale of assets.

Income Taxes

The Conservancy has been granted an exemption from federal income taxes under
Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service (IRS)
has classified the Conservancy as other than a private foundation. The Conservancy
is subject to income tax on certain income that is considered to be unrelated business
income, if earned. The Conservancy annually files a Form 990. The Conservancy
has assessed the tax positions it has taken or expects to take in its tax returns and no
liability has been determined to be necessary.

Fair Value Measurement

The Conservancy has adopted the Fair Value Measurement topic of the Accounting
Standards Codification (ASC), including all applicable updates, which established a
framework for measuring fair value under accounting principles generally accepted in
the United States of America and expanded disclosure about fair value measurement
(see Notes 2 and 3).
Pending Accounting Pronouncements

The Financial Accounting Standards Board (FASB) has issued amendments of the FASB Accounting Standard Codification that will become effective in future years as shown below.

Management has not yet determined the impact of these statements on the Conservancy’s financial statements:

ASU 2014-09, “Revenue from Contracts with Customers (Topic 606),” is effective for the financial statements for the year ending December 31, 2019 (as amended by ASU 2015-14). This amendment provides guidance for revenue recognition related to contracts with the transfer of promised goods or services to customers and related disclosures.

ASU-2015-07, “Fair Value Measurement – Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent),” effective for the Conservancy’s financial statements for the year ending December 31, 2017. This amendment removes the requirement to categorize investments for which the fair value is measured using the net asset value per share practical expedient. The amendment also removes certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient.

ASU No. 2016-14, “Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,” effective for the Conservancy’s financial statements for the year ending December 31, 2018. This standard aims to improve how a nonprofit organization classifies its net assets and provides information in its financial statements and notes about its financial performance, cash flow, and liquidity. The ASU changes the net asset classification, requires presentation of expenses both by nature and function, requires investment return reported net of investment expenses, requires placed-in-service approach for gifts of/for long-lived assets and provides enhanced disclosures for: governing body restrictions; composition of net assets with donor restrictions; qualitative and quantitative information on liquidity; methods to allocate costs among program and support functions; and underwater donor-restricted endowment.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor’s Report date, which is the date the financial statements were available to be issued.
2. **Accounts, Notes, and Pledges Receivable**

Accounts, notes, and pledges receivable at December 31 consist of the following:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accounts receivable:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Billed grants and contracts</td>
<td>$1,235,545</td>
<td>$1,462,433</td>
</tr>
<tr>
<td>Unbilled grants and contracts</td>
<td>285,459</td>
<td>114,947</td>
</tr>
<tr>
<td>Other</td>
<td>120,500</td>
<td>119,384</td>
</tr>
<tr>
<td><strong>Total accounts receivable</strong></td>
<td>$1,641,504</td>
<td>$1,696,764</td>
</tr>
<tr>
<td><strong>Pledges receivable:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted contributions</td>
<td>2,110</td>
<td>25,060</td>
</tr>
<tr>
<td>Temporarily restricted contributions</td>
<td>1,247,602</td>
<td>947,804</td>
</tr>
<tr>
<td>Permanently restricted contributions</td>
<td>38,492</td>
<td>134,652</td>
</tr>
<tr>
<td><strong>Gross pledges receivable</strong></td>
<td>$1,288,204</td>
<td>$1,107,516</td>
</tr>
<tr>
<td>Less: unamortized discount</td>
<td>(45,821)</td>
<td>(38,759)</td>
</tr>
<tr>
<td><strong>Total pledges receivable:</strong></td>
<td>$1,242,383</td>
<td>$1,068,757</td>
</tr>
<tr>
<td><strong>Total accounts and pledges receivable</strong></td>
<td>$2,883,887</td>
<td>$2,765,521</td>
</tr>
<tr>
<td><strong>Notes receivable:</strong></td>
<td>405,000</td>
<td>400,000</td>
</tr>
<tr>
<td><strong>Net accounts, notes, and pledges receivable</strong></td>
<td>$3,288,887</td>
<td>$3,165,521</td>
</tr>
</tbody>
</table>

Pledges are recorded in the accompanying financial statements at net present value and are expected to be received as follows:

<table>
<thead>
<tr>
<th>Years ending December 31</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$572,500</td>
</tr>
<tr>
<td>2018</td>
<td>422,277</td>
</tr>
<tr>
<td>2019</td>
<td>109,510</td>
</tr>
<tr>
<td>2020</td>
<td>3,010</td>
</tr>
<tr>
<td>2021</td>
<td>27,510</td>
</tr>
<tr>
<td>Thereafter</td>
<td>153,397</td>
</tr>
<tr>
<td><strong>Thereafter</strong></td>
<td>$1,288,204</td>
</tr>
<tr>
<td><strong>Less - amount representing discount</strong></td>
<td>(45,821)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,242,383</td>
</tr>
</tbody>
</table>

The Conservancy’s estimate that an allowance for uncollectible pledges is not necessary is based on historical collection experience and a review of the current status of the pledges. Decisions to charge off uncollectible pledges are based on
management’s judgment after consideration of facts and circumstances surrounding potential uncollectible accounts. It is reasonably possible that the Conservancy’s estimate of an allowance for uncollectible pledges will change.

Fair values of assets measured on a recurring basis as of December 31, 2016 and 2015 are as follows: Level 1 pledges receivable – current $572,500 and $680,751, respectively, and Level 3 pledges receivable – noncurrent $669,883 and $388,006, respectively.

Fair values for Level 1 financial instruments are determined by quoted prices in active markets for identical financial instruments. Pledges due within one year are considered to be Level 1 because of the short maturity of these instruments. Fair values for Level 2 financial instruments are determined by other significant observable inputs (quoted prices for similar financial instruments, interest rates, prepayment speeds, credit risk, etc.). Fair values for Level 3 financial instruments are determined by significant unobservable inputs, including the Conservancy’s own assumptions in determining the fair value of financial instruments.

Since the Conservancy’s noncurrent pledges receivable have no significant observable inputs, they are classified as Level 3.

The input used by the Conservancy to measure the value of noncurrent pledges receivable is the original pledge commitment discounted at two to five years based upon the original value less 3% per year until received.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) include pledges expected to be received in more than one year:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of January 1</td>
<td>$388,006</td>
<td>$537,449</td>
</tr>
<tr>
<td>Additions of long-term pledges</td>
<td>435,660</td>
<td>260,423</td>
</tr>
<tr>
<td>Increases (decreases) due to change in scheduled payments</td>
<td>(14,413)</td>
<td>40,479</td>
</tr>
<tr>
<td>Pledges receivable, which became due within one year</td>
<td>(139,370)</td>
<td>(450,345)</td>
</tr>
<tr>
<td>Balance as of December 31</td>
<td>$669,883</td>
<td>$388,006</td>
</tr>
</tbody>
</table>
3. **INVESTMENTS**

Investment portfolios at December 31 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Percentage</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited partnerships</td>
<td>$5,502,943</td>
<td>12%</td>
<td>$4,220,645</td>
<td>9%</td>
</tr>
<tr>
<td>Fixed-income</td>
<td>12,778,306</td>
<td>27%</td>
<td>12,354,573</td>
<td>28%</td>
</tr>
<tr>
<td>Equity instruments</td>
<td>29,168,149</td>
<td>61%</td>
<td>27,943,581</td>
<td>63%</td>
</tr>
<tr>
<td></td>
<td>$47,449,398</td>
<td>100%</td>
<td>$44,518,799</td>
<td>100%</td>
</tr>
</tbody>
</table>

The Conservancy has committed $11,000,000 in subscriptions to limited partnerships as of December 31, 2016 and 2015. The total funds invested were approximately $5,503,000 and $4,221,000 as of December 31, 2016 and 2015, respectively.

The above investments are being held by custodians and managed by professional investment advisors. Related management fees included in expenses amounted to approximately $150,000 and $179,000 in 2016 and 2015, respectively.

Investments are included in net assets at December 31 as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>$27,593,546</td>
<td>$24,207,388</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>12,146,768</td>
<td>12,749,663</td>
</tr>
<tr>
<td>Permanently restricted (Note 8)</td>
<td>7,709,084</td>
<td>7,561,748</td>
</tr>
<tr>
<td></td>
<td>$47,449,398</td>
<td>$44,518,799</td>
</tr>
</tbody>
</table>

Income earned on investments at December 31 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Realized income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>$781,814</td>
<td>$860,011</td>
</tr>
<tr>
<td>Gain (loss) on sale of investments</td>
<td>$1,502,089</td>
<td>$2,880,335</td>
</tr>
<tr>
<td></td>
<td>2,283,903</td>
<td>3,740,346</td>
</tr>
<tr>
<td>Unrealized gains (losses)</td>
<td>1,291,970</td>
<td>(5,448,426)</td>
</tr>
<tr>
<td>Net investment gain (loss)</td>
<td>$3,575,873</td>
<td>$(1,708,080)</td>
</tr>
</tbody>
</table>
The investment income is reported in the statements of activities for the years ended December 31 as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment return designated for current operations</td>
<td>$2,858,071</td>
<td>$2,801,654</td>
</tr>
<tr>
<td>Investment return in excess of (less than) amount</td>
<td></td>
<td></td>
</tr>
<tr>
<td>designated for current operations</td>
<td>$717,802</td>
<td>($4,509,734)</td>
</tr>
<tr>
<td></td>
<td>$3,575,873</td>
<td>($1,708,080)</td>
</tr>
</tbody>
</table>

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

The Fair Value Measurements topic (topic) of the ASC establishes a fair value hierarchy that prioritizes the inputs used to determine fair value and requires the Conservancy to classify assets and liabilities carried at fair value based on observability of these inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of fair value hierarchy defined by the topic are:

**Level 1:** Quoted prices are available in active markets for identical assets or liabilities as of the reported date. Financial assets utilizing Level 1 inputs include active exchange-traded equity securities.

**Level 2:** Pricing inputs are other than the quoted prices in active markets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities includes items for which quoted prices are available but traded less frequently and items that are fair-valued using other financial instruments, the parameters of which can be directly observed.

**Level 3:** Assets and liabilities that have little to no pricing observability as of the reported date. These items do not have two-way markets and are measured using management’s best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation. Level 3 inputs include all inputs that do not meet the requirements of Level 1 or Level 2.
Determination of Fair Value

The Conservancy measures fair value based upon market price, where available. For Level 3 items, the Conservancy’s valuation is determined in good faith from information provided by the General Partner of the limited partnerships and by the market value of the underlying investments for interests in perpetual trusts provided by the trustee as they have no significant observable inputs. For the limited partnerships, fair value is based on the best information available and is determined by reference to information including, but not limited to, the following: projected sales, net earnings, earnings before interest, taxes, depreciation and amortization, balance sheets, public or private transactions, valuations for publicly-traded comparable companies, and/or other measures, and consideration of any other pertinent information including the types of securities held and restrictions on disposition. Quantitative unobservable inputs of Level 3 items are not developed by the Conservancy for measuring fair value. For Level 2 items, fair value estimates include (1) the market approach, (2) the income approach, and (3) cost for a period of time after an acquisition. These valuation methodologies involve a significant degree of judgment. Due to the absence of readily determinable fair values and the inherent uncertainty of valuations, the estimated fair values for private investments may differ significantly from values that would have been used had a ready market for the securities existed.

The Conservancy is a beneficiary of a perpetual charitable trust (trust). Under the trust agreement, the Conservancy is entitled to a 12.5% share of the value of the trust as of April 17, 2012 and is entitled to annual distributions of 12.5% of a stated 6% annual return on the investments held by the trust thereafter.
The following represents the fair value hierarchy of the Conservancy’s financial assets, other than pledges receivable, described in Note 2, that were recognized at fair value on a recurring basis as of December 31, 2016:

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed-income obligations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Government</td>
<td>$43,906</td>
<td>$2,709,229</td>
<td>$ -</td>
<td>$2,753,135</td>
</tr>
<tr>
<td>U.S. Corporate</td>
<td>9,968,586</td>
<td>-</td>
<td>-</td>
<td>9,968,586</td>
</tr>
<tr>
<td>Foreign Corporate</td>
<td>15,535</td>
<td>-</td>
<td>-</td>
<td>15,535</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>10,028,027</td>
<td>2,709,229</td>
<td>-</td>
<td>12,737,256</td>
</tr>
<tr>
<td><strong>Equity instruments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Corporate</td>
<td>18,975,205</td>
<td>-</td>
<td>-</td>
<td>18,975,205</td>
</tr>
<tr>
<td>Foreign Corporate</td>
<td>10,147,604</td>
<td>-</td>
<td>-</td>
<td>10,147,604</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>29,122,809</td>
<td>-</td>
<td>-</td>
<td>29,122,809</td>
</tr>
<tr>
<td><strong>Perpetual Trust</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity U.S. Corporate</td>
<td>-</td>
<td>-</td>
<td>40,555</td>
<td>40,555</td>
</tr>
<tr>
<td>Equity Foreign Corporate</td>
<td>-</td>
<td>-</td>
<td>4,785</td>
<td>4,785</td>
</tr>
<tr>
<td>Fixed Income U.S. Corporate</td>
<td>-</td>
<td>-</td>
<td>37,087</td>
<td>37,087</td>
</tr>
<tr>
<td>Fixed Foreign Corporate</td>
<td>-</td>
<td>-</td>
<td>3,963</td>
<td>3,963</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-</td>
<td>-</td>
<td>86,390</td>
<td>86,390</td>
</tr>
<tr>
<td><strong>Limited partnerships</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Corporate</td>
<td>-</td>
<td>-</td>
<td>3,741,008</td>
<td>3,741,008</td>
</tr>
<tr>
<td>Foreign Corporate</td>
<td>-</td>
<td>-</td>
<td>1,761,935</td>
<td>1,761,935</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-</td>
<td>-</td>
<td>5,502,943</td>
<td>5,502,943</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$39,150,836</td>
<td>$2,709,229</td>
<td>$5,589,333</td>
<td>$47,449,398</td>
</tr>
</tbody>
</table>
The following represents the fair value hierarchy of the Conservancy’s financial assets that were recognized at fair value on a recurring basis as of December 31, 2015:

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed-income obligations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Government</td>
<td>$ 68,283</td>
<td>$ 2,569,384</td>
<td>$</td>
<td>$ 2,637,667</td>
</tr>
<tr>
<td>U.S. Corporate</td>
<td>9,651,083</td>
<td></td>
<td></td>
<td>9,651,083</td>
</tr>
<tr>
<td>Foreign Corporate</td>
<td>24,243</td>
<td></td>
<td>$</td>
<td>24,243</td>
</tr>
<tr>
<td></td>
<td>9,743,609</td>
<td>2,569,384</td>
<td></td>
<td>12,312,993</td>
</tr>
<tr>
<td><strong>Equity instruments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Corporate</td>
<td>16,731,027</td>
<td></td>
<td></td>
<td>16,731,027</td>
</tr>
<tr>
<td>Foreign Corporate</td>
<td>11,168,944</td>
<td></td>
<td></td>
<td>11,168,944</td>
</tr>
<tr>
<td></td>
<td>27,899,971</td>
<td></td>
<td></td>
<td>27,899,971</td>
</tr>
<tr>
<td><strong>Perpetual Trust</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity U.S. Corporate</td>
<td></td>
<td></td>
<td>41,249</td>
<td>41,249</td>
</tr>
<tr>
<td>Equity Foreign Corporate</td>
<td></td>
<td></td>
<td>2,361</td>
<td>2,361</td>
</tr>
<tr>
<td>Fixed Income U.S. Corporate</td>
<td></td>
<td></td>
<td>37,759</td>
<td>37,759</td>
</tr>
<tr>
<td>Fixed Foreign Corporate</td>
<td></td>
<td></td>
<td>3,821</td>
<td>3,821</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>85,190</td>
<td>85,190</td>
</tr>
<tr>
<td><strong>Limited partnerships</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Corporate</td>
<td></td>
<td></td>
<td>3,176,438</td>
<td>3,176,438</td>
</tr>
<tr>
<td>Foreign Corporate</td>
<td></td>
<td></td>
<td>1,044,207</td>
<td>1,044,207</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4,220,645</td>
<td>4,220,645</td>
</tr>
<tr>
<td></td>
<td>$ 37,643,580</td>
<td>$ 2,569,384</td>
<td>$ 4,305,835</td>
<td>$ 44,518,799</td>
</tr>
</tbody>
</table>

A reconciliation for years ended December 31 of fair value measures categorized as Level 3 follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value, beginning of year</td>
<td>$ 4,305,835</td>
<td>$ 4,058,492</td>
</tr>
<tr>
<td>Capital calls</td>
<td>1,469,388</td>
<td>1,101,911</td>
</tr>
<tr>
<td>Distributions</td>
<td>(1,020,234)</td>
<td>(1,207,685)</td>
</tr>
<tr>
<td>Net investment return, including unrealized gains (losses)</td>
<td>834,344</td>
<td>353,117</td>
</tr>
<tr>
<td>Fair value, end of year</td>
<td>$ 5,589,333</td>
<td>$ 4,305,835</td>
</tr>
</tbody>
</table>
The amount of total gains (losses) for the year included in investment return attributable to the change in unrealized gains (losses) related to the limited partnerships is $195,786 and ($703,288) in 2016 and 2015, respectively.

4. Property and Equipment

Property and equipment at December 31 consisted of:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$685,000</td>
<td>$685,000</td>
</tr>
<tr>
<td>Building and building improvements</td>
<td>12,452,644</td>
<td>11,388,827</td>
</tr>
<tr>
<td>Equipment</td>
<td>2,381,515</td>
<td>2,364,669</td>
</tr>
<tr>
<td>Ground improvements</td>
<td>6,666,983</td>
<td>6,625,134</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>322,027</td>
<td>358,556</td>
</tr>
<tr>
<td></td>
<td>22,508,169</td>
<td>21,422,186</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>(9,429,972)</td>
<td>(8,624,440)</td>
</tr>
<tr>
<td></td>
<td>$13,078,197</td>
<td>$12,797,746</td>
</tr>
</tbody>
</table>

In 2000, the Conservancy granted a preservation easement to the Pennsylvania Historical and Museum Commission for the Conservancy’s commitment for ongoing preservation and maintenance of Fallingwater. The term of the easement is 50 years from the completion of the Fallingwater restoration. No cost was assigned to the easement granted.
5. Land Conservation Projects

The Conservancy receives reimbursements from public and private sources for land acquisitions. The change in land conservation projects at December 31 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of January 1</td>
<td>$17,868,428</td>
<td>$18,634,149</td>
</tr>
<tr>
<td>Additions and acquisitions</td>
<td>3,738,490</td>
<td>15,783,838</td>
</tr>
<tr>
<td>Conveyances</td>
<td>(563,001)</td>
<td>(10,460,563)</td>
</tr>
<tr>
<td>Reimbursements</td>
<td>(680,308)</td>
<td>(6,088,996)</td>
</tr>
<tr>
<td>Balance as of December 31</td>
<td>$20,363,609</td>
<td>$17,868,428</td>
</tr>
</tbody>
</table>

During 2015, the Conservancy recognized a realized loss on conveyance of land for $2.7 million. This primarily relates to property the Conservancy intended to keep at time of purchase; therefore, grants received as reimbursement in prior years were recognized as revenue and not a reduction to the carrying value of the land. During 2015, this property was conveyed.

During 2016, the Conservancy received an unrestricted donation of land for conservation purposes. The contribution was recognized at a fair market value of $989,000.

6. Conservation Easements

The Conservancy holds certain conservation easements throughout Western Pennsylvania. These easements include development rights, scenic preservation, and other privileges related to natural resource conservation. Easements are received by gift, by reservation of certain rights upon sale of land, or by purchase. The Conservancy held 36,270 and 36,130 acres as easements as of December 31, 2016 and 2015, respectively.
7. **NOTES PAYABLE AND OTHER OBLIGATIONS**

**Charitable Gift Annuities**

Donors have established charitable gift annuities with the Conservancy and are to receive distributions ranging from 4.3% to 9.0% of the fair value of the contributions over the designated beneficiaries’ lifetime. The present values of these obligations approximate $475,000 at December 31, 2016 and 2015.

**Line of Credit**

The Conservancy has a line of credit with a bank providing for total borrowing up to $5,000,000. The line is secured by general unrestricted investments and is intended to be used for short-term financing for large land acquisition projects. Interest is payable at either the Prime Rate minus 2.1% or various rates based on the one-, two-, three-, or six-month London InterBank Offered Rate (LIBOR) plus 0.35%. As of December 31, 2016 and 2015, the balances due on the line of credit were $0 and $29,249, respectively. The line of credit expires August 31, 2018.

**Notes Payable**

The Conservancy has a note payable of $120,000, dated July 30, 2010, used to acquire property within the Bear Run Nature Reserve in Stewart Township, Fayette County. The note is non-interest bearing and is payable in ten annual installments of $12,000. The first installment was paid in January 2012. The balance on this note payable at December 31, 2016 and 2015 was $48,000 and $60,000, respectively.

The Conservancy received a program-related investment in the form of a note payable for $500,000, dated April 15, 2015, used to acquire property in the headwaters of Loyalhanna Creek. The note is non-interest bearing and is payable on or before June 30, 2020. Interest was imputed at a rate of 3.25%. The note was measured at fair value at inception in the amount of $426,000. The difference between fair value and stated amount of the loan was recognized as a contribution. Interest expense of $15,000 was recognized during 2015 and 2016. The balance on this note payable at December 31, 2016 and 2015 was $456,000 and $441,000, respectively.
8. **Restricted Assets**

Certain restricted contributions and grants received are to be expended for specific purposes and/or in succeeding years. They are, therefore, reflected as temporarily restricted in the statements of activities. Temporarily restricted contributions for the years ended December 31 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conservation</td>
<td>$2,777,422</td>
<td>$1,462,019</td>
</tr>
<tr>
<td>Fallingwater</td>
<td>$224,580</td>
<td>$549,746</td>
</tr>
<tr>
<td>Community Gardens/Greenspace</td>
<td>$1,264,699</td>
<td>$1,829,782</td>
</tr>
<tr>
<td>Other</td>
<td>$485,691</td>
<td>$96,045</td>
</tr>
<tr>
<td><strong>Total Operating</strong></td>
<td>$4,752,392</td>
<td>$3,937,592</td>
</tr>
</tbody>
</table>

Temporarily restricted net assets as of December 31 are available for the following programs:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conservation</td>
<td>$5,953,886</td>
<td>$5,925,002</td>
</tr>
<tr>
<td>Fallingwater</td>
<td>$334,172</td>
<td>$496,131</td>
</tr>
<tr>
<td>Community Gardens/Greenspace</td>
<td>$1,426,165</td>
<td>$1,606,747</td>
</tr>
<tr>
<td>Other</td>
<td>$1,141,810</td>
<td>$765,935</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$8,856,033</td>
<td>$8,793,815</td>
</tr>
</tbody>
</table>

Endowment

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment</td>
<td>$3,937,446</td>
<td>$3,631,569</td>
</tr>
<tr>
<td>Capital items</td>
<td>$555,712</td>
<td>$1,236,644</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$13,349,191</td>
<td>$13,662,028</td>
</tr>
</tbody>
</table>
Permanently restricted net assets as of December 31 are available for the following programs:

<table>
<thead>
<tr>
<th>Program</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment investments in perpetuity and endowment pledges, the income from which is expendable to support:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Gardens/Greenspace</td>
<td>$2,684,973</td>
<td>$2,674,973</td>
</tr>
<tr>
<td>Fallingwater</td>
<td>2,102,227</td>
<td>2,081,393</td>
</tr>
<tr>
<td>Beechwood Farm Sanctuary</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>General purposes</td>
<td>1,338,297</td>
<td>1,337,097</td>
</tr>
<tr>
<td>Specific program support</td>
<td>1,657,827</td>
<td>1,634,807</td>
</tr>
<tr>
<td></td>
<td><strong>7,833,324</strong></td>
<td><strong>7,778,270</strong></td>
</tr>
<tr>
<td>Land required to be held in perpetuity</td>
<td>2,534,751</td>
<td>2,534,751</td>
</tr>
<tr>
<td>Land, proceeds from the sale of which are required to be reinvested in land upon divestment</td>
<td>1,942,636</td>
<td>1,942,636</td>
</tr>
<tr>
<td>Fallingwater</td>
<td>600,000</td>
<td>600,000</td>
</tr>
<tr>
<td>Fine art collection (at values assigned at acquisition)</td>
<td>2,029,498</td>
<td>2,029,498</td>
</tr>
<tr>
<td></td>
<td><strong>14,940,209</strong></td>
<td><strong>14,885,155</strong></td>
</tr>
</tbody>
</table>

The Conservancy’s endowment consists of various investment funds established primarily for the financial needs of the organization and its purpose. The endowment includes only donor-restricted endowment funds and accumulated income thereon. Certain endowment earnings are donor restricted for a particular program. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Board has elected to apply the Commonwealth of Pennsylvania’s Act 141 (Act 141). Act 141 permits utilization of a total return policy that allows a nonprofit to choose to treat a percentage of the average market value of the endowment’s investments as income each year. However, the long-term preservation of the real value of the assets must be taken into consideration when the Board elects the
amount. In accordance with Act 141, on an annual basis, the Board, in writing, must elect a spending rate of between 2% and 7%. The Conservancy classifies as permanently restricted net assets the original fair value of gifts donated to the permanent endowment and the original fair value of subsequent gifts to the permanent endowment. The undistributed amounts earned are included in temporarily restricted net assets. In accordance with Act 141, the Conservancy has adopted a written investment policy, of which a section specifically relates to the endowment fund. On an annual basis, the Board also sets a spending rate.

Donor-restricted endowment funds as of December 31 are composed of the following net assets:

<table>
<thead>
<tr>
<th></th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$ 3,937,446</td>
<td>$ 7,833,324</td>
<td>$ 11,770,770</td>
</tr>
<tr>
<td>2015</td>
<td>$ 3,631,569</td>
<td>$ 7,778,270</td>
<td>$ 11,409,839</td>
</tr>
</tbody>
</table>
Changes in donor-restricted endowment funds by net asset type for the years ended December 31 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment net assets, beginning of year</td>
<td>$3,631,569</td>
<td>$7,778,270</td>
<td>$11,409,839</td>
</tr>
<tr>
<td>Investment return:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>181,094</td>
<td>-</td>
<td>181,094</td>
</tr>
<tr>
<td>Net appreciation (depreciation)</td>
<td>658,512</td>
<td>1,200</td>
<td>659,712</td>
</tr>
<tr>
<td>Drawdown</td>
<td>(533,729)</td>
<td>-</td>
<td>(533,729)</td>
</tr>
<tr>
<td></td>
<td>3,937,446</td>
<td>7,779,470</td>
<td>11,716,916</td>
</tr>
<tr>
<td>Contributions</td>
<td>-</td>
<td>53,854</td>
<td>53,854</td>
</tr>
<tr>
<td>Endowment net assets, end of year</td>
<td>$3,937,446</td>
<td>$7,833,324</td>
<td>$11,770,770</td>
</tr>
</tbody>
</table>

|                    | Temporarily Restricted | Permanently Restricted | Total      |
|--------------------|                        |                        |            |
| 2015               |                        |                        |            |
| Endowment net assets, beginning of year | $4,569,181 | $7,722,801 | $12,291,982 |
| Investment return: |                        |                        |            |
| Investment income  | 215,325                | -                      | 215,325    |
| Net appreciation (depreciation) | (701,136) | (7,460) | (708,596) |
| Drawdown           | (451,801)              | -                      | (451,801)  |
|                    | 3,631,569              | 7,715,341              | 11,346,910 |
| Contributions      | -                      | 62,929                 | 62,929     |
| Endowment net assets, end of year | $3,631,569 | $7,778,270 | $11,409,839 |

In addition to the investments above, as described earlier in this note, the Conservancy maintained other permanently restricted assets approximating $7,107,000 at December 31, 2016 and 2015. These assets included land, buildings, and fine art.
Endowment Investment Objective

The primary objective of endowment fund (Fund) investments is the pursuit of a long-term growth adequate to meet the Conservancy’s annual spending needs over time. The next objective is to preserve principal and to dampen volatility to stabilize the market value and cash flows from the Fund. A third objective is to realize growth above inflation to build the economic value of the Fund over time.

The Board believes that a long-term growth-oriented approach is appropriate, given that annual distributions from the Fund represents less than 15% of the Conservancy’s operating budget.

To satisfy its long-term investment objectives, the Conservancy maintains a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Therefore, the Conservancy targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk parameters.

The Conservancy has chosen not to manage its underlying assets directly, but to utilize independent investment managers. To maintain prudent diversification and to avoid undue risk, the Conservancy’s portfolio is divided among approximately 15 managers.

The Conservancy recognizes the difficulty of achieving the Fund’s investment objectives in light of the uncertainties and complexities of the investment markets. The Conservancy further recognizes that risk (i.e., the uncertainty of future events) and volatility (i.e., the potential for variability of asset values and the possibility of loss in purchasing power due to inflation) are present to varying degrees in all types of investment vehicles. Several factors suggest collectively that the Fund can tolerate some interim fluctuations in market value and rates of return in order to achieve long-term objectives.
9. EXPENSES

Expenses for 2016 and 2015 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programs:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conservation</td>
<td>$4,133,831</td>
<td>$4,309,962</td>
</tr>
<tr>
<td>Watershed</td>
<td>1,717,345</td>
<td>2,033,353</td>
</tr>
<tr>
<td>Fallingwater</td>
<td>6,113,266</td>
<td>6,128,479</td>
</tr>
<tr>
<td>Community Gardens/Greenspace</td>
<td>2,783,192</td>
<td>2,549,196</td>
</tr>
<tr>
<td>Constituent programs/outreach</td>
<td>912,094</td>
<td>894,196</td>
</tr>
<tr>
<td>Total direct programs</td>
<td>15,659,728</td>
<td>15,915,186</td>
</tr>
<tr>
<td>Depreciation (programs' portion)</td>
<td>836,772</td>
<td>818,072</td>
</tr>
<tr>
<td>Total programs</td>
<td>16,496,500</td>
<td>16,733,258</td>
</tr>
<tr>
<td>General and administrative</td>
<td>1,867,508</td>
<td>1,817,246</td>
</tr>
<tr>
<td>Development and fundraising</td>
<td>1,425,921</td>
<td>1,486,823</td>
</tr>
<tr>
<td>Total expenses</td>
<td>$19,789,929</td>
<td>$20,037,327</td>
</tr>
<tr>
<td>Percent of program expenses to total expenses</td>
<td>83%</td>
<td>84%</td>
</tr>
</tbody>
</table>

10. RETIREMENT PLANS

The Conservancy maintains defined contribution retirement plans for all eligible employees. The plans provide for an employer contribution based on a percentage of employees’ gross wages and based on a percentage of voluntary contributions by employees. Contributions charged to expense amounted to approximately $881,000 and $849,000 in 2016 and 2015, respectively.

The Conservancy provides a 457(b) private salary deferral plan under the IRC, which allows for certain corporate officers to defer a portion of their compensation, up to a limit determined under the IRC, for retirement. As of December 31, 2016 and 2015, $546,000 and $452,000, respectively, are included on the statements of financial position as prepaid expenses and deposits with an offsetting liability. There are no employer contributions under the plan.
Supplementary Information
<table>
<thead>
<tr>
<th>Federal Grantor/Pass-Through Grantor/Program Title</th>
<th>CFDA</th>
<th>Grantor Number or Pass-Through Grantor Number</th>
<th>Passed Through to Subrecipients</th>
<th>Total Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. Department of the Interior:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Fish and Wildlife Foundation</td>
<td>15.663</td>
<td>0404.16.053423</td>
<td>$</td>
<td>$18,293</td>
</tr>
<tr>
<td>National Fish and Wildlife Foundation</td>
<td>15.663</td>
<td>0404.16.053424</td>
<td>$</td>
<td>$25,104</td>
</tr>
<tr>
<td>National Fish and Wildlife Foundation</td>
<td>15.663</td>
<td>0404.16.053638</td>
<td>-</td>
<td>$15,084</td>
</tr>
<tr>
<td>National Fish and Wildlife Foundation</td>
<td>15.663</td>
<td>0901.12.030425</td>
<td>-</td>
<td>$9,785</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td></td>
<td></td>
<td>$68,266</td>
</tr>
<tr>
<td>Passed through US Fish and Wildlife Service:</td>
<td>15.608</td>
<td>F15PX02904</td>
<td>-</td>
<td>$24,221</td>
</tr>
<tr>
<td>Fish and Wildlife Management Assistance</td>
<td>15.608</td>
<td>400020421</td>
<td>-</td>
<td>$4,997</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td></td>
<td></td>
<td>$29,218</td>
</tr>
<tr>
<td>Passed through Pennsylvania Game Commission:</td>
<td>15.611</td>
<td>4000020056</td>
<td>-</td>
<td>$23,765</td>
</tr>
<tr>
<td>Wildlife Restoration and Basic Hunter Education</td>
<td>15.611</td>
<td>4100019622</td>
<td>-</td>
<td>$38,987</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td></td>
<td></td>
<td>$62,752</td>
</tr>
<tr>
<td>Total Fish and Wildlife Cluster</td>
<td></td>
<td></td>
<td></td>
<td>$62,752</td>
</tr>
<tr>
<td>Passed through Pennsylvania Fish and Boat Commission:</td>
<td>15.634</td>
<td>4100070678</td>
<td>-</td>
<td>$19,805</td>
</tr>
<tr>
<td>State Wildlife Grants</td>
<td>15.634</td>
<td>4100071084</td>
<td>-</td>
<td>$8,356</td>
</tr>
<tr>
<td>State Wildlife Grants</td>
<td>15.634</td>
<td>4100070983</td>
<td>-</td>
<td>$15,000</td>
</tr>
<tr>
<td>State Wildlife Grants</td>
<td>15.634</td>
<td>PFBC 2012-0327.01</td>
<td>-</td>
<td>$51,406</td>
</tr>
<tr>
<td>State Wildlife Grants</td>
<td>15.634</td>
<td>PFBC 2015-0526.01</td>
<td>-</td>
<td>$76,177</td>
</tr>
<tr>
<td>State Wildlife Grants</td>
<td>15.634</td>
<td>PFBC 2011-0915.01</td>
<td>-</td>
<td>$37,900</td>
</tr>
<tr>
<td>State Wildlife Grants</td>
<td>15.634</td>
<td>PFBC 2016-0328.02</td>
<td>-</td>
<td>$37,462</td>
</tr>
<tr>
<td>State Wildlife Grants</td>
<td>15.634</td>
<td>PFBC 2016-0204.02</td>
<td>-</td>
<td>$2,941</td>
</tr>
<tr>
<td>State Wildlife Grants</td>
<td>15.634</td>
<td>PFBC 2015-0626.02</td>
<td>-</td>
<td>$28,852</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td></td>
<td></td>
<td>$277,899</td>
</tr>
<tr>
<td>Passed through Pennsylvania Department of Conservation and Natural Resources:</td>
<td>15.634</td>
<td>WPC TA - 023</td>
<td>-</td>
<td>$1,818</td>
</tr>
<tr>
<td>State Wildlife Grants</td>
<td>15.634</td>
<td>WPC TA - 002</td>
<td>-</td>
<td>$5,808</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td></td>
<td></td>
<td>$7,626</td>
</tr>
<tr>
<td>Passed through Pennsylvania Game Commission:</td>
<td>15.634</td>
<td>4100072848</td>
<td>-</td>
<td>$16,123</td>
</tr>
<tr>
<td>State Wildlife Grants</td>
<td>15.634</td>
<td>4100072848</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td></td>
<td></td>
<td>$301,648</td>
</tr>
<tr>
<td>North American Wetlands Conservation Fund</td>
<td>15.623</td>
<td>F16AP00512</td>
<td>-</td>
<td>$71,296</td>
</tr>
<tr>
<td>Fish and Wildlife Coordination and Assistance</td>
<td>15.664</td>
<td>NAAC 2016-03</td>
<td>-</td>
<td>$57</td>
</tr>
<tr>
<td>Cooperative Landscape Conservation</td>
<td>15.669</td>
<td>F15AC01052-0001-LCC0</td>
<td>-</td>
<td>$9,707</td>
</tr>
<tr>
<td>Great Lakes Restoration</td>
<td>15.662</td>
<td>WPC TA - 018</td>
<td>-</td>
<td>$9,879</td>
</tr>
<tr>
<td>Great Lakes Restoration</td>
<td>15.662</td>
<td>WPC TA - 019</td>
<td>-</td>
<td>$68,443</td>
</tr>
<tr>
<td>Great Lakes Restoration</td>
<td>15.662</td>
<td>5467-WPC-USFWS-0558</td>
<td>-</td>
<td>$48,742</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td></td>
<td></td>
<td>$127,064</td>
</tr>
<tr>
<td>Subtotal Passed through US Fish and Wildlife Service</td>
<td></td>
<td></td>
<td></td>
<td>$601,742</td>
</tr>
<tr>
<td>Passed through Office of Surface Mining:</td>
<td>15.253</td>
<td>S13AC20036</td>
<td>-</td>
<td>$24,402</td>
</tr>
<tr>
<td>Total U.S. Department of the Interior</td>
<td></td>
<td></td>
<td></td>
<td>$694,410</td>
</tr>
<tr>
<td><strong>U.S. Department of Housing and Urban Development:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed through City of Pittsburgh: Entitlement Grant Cluster</td>
<td>14.218</td>
<td>51432</td>
<td>-</td>
<td>$56,892</td>
</tr>
<tr>
<td>Community Development Block Grants/Entitlement Grants</td>
<td>14.218</td>
<td>51910</td>
<td>-</td>
<td>$15,692</td>
</tr>
<tr>
<td>Total Entitlement Grant Cluster</td>
<td></td>
<td></td>
<td></td>
<td>$72,584</td>
</tr>
<tr>
<td>Total U.S. Department of Housing and Urban Development</td>
<td></td>
<td></td>
<td></td>
<td>$72,584</td>
</tr>
</tbody>
</table>

See accompanying notes to schedule of expenditures of federal awards.
### Western Pennsylvania Conservancy

**Schedule of Expenditures of Federal Awards**

*Year Ended December 31, 2016*

(Continued)

<table>
<thead>
<tr>
<th>Federal Grantor/Pass-Through Grantor/Program Title</th>
<th>CFDA or Pass-Through Grantor Number</th>
<th>Grantor Number</th>
<th>Amounts Passed Through to Subrecipients</th>
<th>Total Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. Environment Protection Agency:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regional Wetland Program Development Grants</td>
<td>66.461</td>
<td>WPC-TA 004</td>
<td>-</td>
<td>154,641</td>
</tr>
<tr>
<td>Regional Wetland Program Development Grants</td>
<td>66.461</td>
<td>WPC-TA 006</td>
<td>-</td>
<td>64,783</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td></td>
<td></td>
<td>219,424</td>
</tr>
<tr>
<td>Passed through National Fish and Wildlife Foundation:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chesapeake Bay Program</td>
<td>66.466</td>
<td>0603.13.039631</td>
<td>-</td>
<td>38,602</td>
</tr>
<tr>
<td>Chesapeake Bay Program</td>
<td>66.466</td>
<td>0603.15.049422</td>
<td>-</td>
<td>7,621</td>
</tr>
<tr>
<td>Chesapeake Bay Program</td>
<td>66.466</td>
<td>0603.15.049656</td>
<td>-</td>
<td>76,208</td>
</tr>
<tr>
<td>Chesapeake Bay Program</td>
<td>66.466</td>
<td>0603.16.053396</td>
<td>-</td>
<td>436</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td></td>
<td></td>
<td>122,867</td>
</tr>
<tr>
<td>Total U.S. Environment Protection Agency</td>
<td></td>
<td></td>
<td></td>
<td>342,291</td>
</tr>
<tr>
<td><strong>U.S. Department of Agriculture:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Fish and Wildlife Foundation</td>
<td>10.683</td>
<td>0501.13.38789</td>
<td>-</td>
<td>558</td>
</tr>
<tr>
<td>Passed through Forest Service:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cooperative Forestry Assistance</td>
<td>10.664</td>
<td>10-DG-11420004-022</td>
<td>-</td>
<td>35,244</td>
</tr>
<tr>
<td>Cooperative Forestry Assistance</td>
<td>10.664</td>
<td>13-CS-11091900-028</td>
<td>-</td>
<td>11,511</td>
</tr>
<tr>
<td>Cooperative Forestry Assistance</td>
<td>10.664</td>
<td>15-CS-11091900-016</td>
<td>-</td>
<td>16,659</td>
</tr>
<tr>
<td>Cooperative Forestry Assistance</td>
<td>10.664</td>
<td>16-DG-11420004-068</td>
<td>-</td>
<td>3,320</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td></td>
<td></td>
<td>66,734</td>
</tr>
<tr>
<td>Soil and Water Conservation</td>
<td>10.902</td>
<td>68-2D37-14-689</td>
<td>-</td>
<td>16,040</td>
</tr>
<tr>
<td>Soil and Water Conservation</td>
<td>10.902</td>
<td>68-2D37-16-807</td>
<td>-</td>
<td>20,726</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td></td>
<td></td>
<td>36,766</td>
</tr>
<tr>
<td>Passed through Pennsylvania Department of Conservation and Natural Resources:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Soil and Water Conservation</td>
<td>10.902</td>
<td>WPC TA-003</td>
<td>-</td>
<td>18,826</td>
</tr>
<tr>
<td>Soil and Water Conservation</td>
<td>10.902</td>
<td>WPC TA-021</td>
<td>-</td>
<td>11,174</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td></td>
<td></td>
<td>30,000</td>
</tr>
<tr>
<td>Forest Health Protection</td>
<td>10.680</td>
<td>TA - 009</td>
<td>-</td>
<td>16,320</td>
</tr>
<tr>
<td><strong>Subtotal Passed through Forest Service</strong></td>
<td></td>
<td></td>
<td></td>
<td>113,454</td>
</tr>
<tr>
<td>Environmental Quality Incentives Program</td>
<td>10.912</td>
<td>68-2D37-14-689</td>
<td>-</td>
<td>13,370</td>
</tr>
<tr>
<td>Environmental Quality Incentives Program</td>
<td>10.912</td>
<td>69-2D37-13-682</td>
<td>-</td>
<td>4,316</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td></td>
<td></td>
<td>17,686</td>
</tr>
<tr>
<td><strong>Total U.S. Department of Agriculture</strong></td>
<td></td>
<td></td>
<td></td>
<td>168,064</td>
</tr>
<tr>
<td><strong>Total Expenditures of Federal Awards</strong></td>
<td></td>
<td></td>
<td></td>
<td>$1,277,349</td>
</tr>
</tbody>
</table>

(Concluded)

See accompanying notes to schedule of expenditures of federal awards.
1. **Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Western Pennsylvania Conservancy (Conservancy) under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Conservancy, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Western Pennsylvania Conservancy.

2. **Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. The Conservancy has elected to not use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.
### Contributions, Grants, and Memberships, Including Restrictions Met in Current Year:

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Percent of Total Unrestricted Operating Revenues and Public Support</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>Individuals</td>
<td>$2,240,983</td>
<td>$3,300,656</td>
</tr>
<tr>
<td>Foundations</td>
<td>3,787,412</td>
<td>2,216,561</td>
</tr>
<tr>
<td>Business community</td>
<td>368,777</td>
<td>743,470</td>
</tr>
<tr>
<td>Government</td>
<td>4,280,571</td>
<td>4,692,273</td>
</tr>
<tr>
<td></td>
<td>10,677,743</td>
<td>10,952,960</td>
</tr>
</tbody>
</table>

### Earned Income:

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Percent of Total Unrestricted Operating Revenues and Public Support</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>Fallingwater admissions</td>
<td>4,353,579</td>
<td>4,126,741</td>
</tr>
<tr>
<td>Sales from Fallingwater museum shop and café</td>
<td>2,462,053</td>
<td>2,436,023</td>
</tr>
<tr>
<td>Rents, royalties, and miscellaneous</td>
<td>676,553</td>
<td>457,171</td>
</tr>
<tr>
<td></td>
<td>7,492,185</td>
<td>7,019,935</td>
</tr>
</tbody>
</table>

### Internal Income:

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Percent of Total Unrestricted Operating Revenues and Public Support</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>Investment return designated for current operations</td>
<td>2,324,342</td>
<td>2,349,853</td>
</tr>
<tr>
<td>Total unrestricted operating revenues and public support</td>
<td>$20,494,270</td>
<td>$20,322,748</td>
</tr>
</tbody>
</table>

The independent auditor's report should be read with these schedules.
Western Pennsylvania Conservancy

Independent Auditor’s Reports
Required by the Uniform Guidance

Year Ended December 31, 2016
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Directors
Western Pennsylvania Conservancy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Western Pennsylvania Conservancy (Conservancy), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 18, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Conservancy’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Conservancy’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Conservancy’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Conservancy’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maher Duessel

Pittsburgh, Pennsylvania
May 18, 2017
Independent Auditor’s Report on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Western Pennsylvania Conservancy

Report on Compliance for the Major Federal Program

We have audited the Western Pennsylvania Conservancy’s (Conservancy) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Conservancy’s major federal program for the year ended December 31, 2016. The Conservancy’s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management’ Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the Conservancy’s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Conservancy’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on the Conservancy’s compliance.

Opinion on the Major Federal Program

In our opinion, the Conservancy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.
Report on Internal Control over Compliance

Management of the Conservancy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Conservancy’s internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Conservancy’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***********

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Maher Duessel
Pittsburgh, Pennsylvania
May 18, 2017
I. Summary of Audit Results

1. Type of auditor’s report issued: Unmodified, prepared in accordance with Generally Accepted Accounting Principles

2. Internal control over financial reporting:
   - Material weakness(es) identified? ☑ yes ☐ no
   - Significant deficiencies identified that are not considered to be material weakness(es)? ☐ yes ☑ none reported

3. Noncompliance material to financial statements noted? ☐ yes ☑ no

4. Internal control over major programs:
   - Material weakness(es) identified? ☐ yes ☑ no
   - Significant deficiencies identified that are not considered to be material weakness(es)? ☐ yes ☑ none reported

5. Type of auditor’s report issued on compliance for major programs: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? ☐ yes ☑ no

7. Major Programs:

<table>
<thead>
<tr>
<th>CFDA Number(s)</th>
<th>Name of Federal Program or Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td>15.634</td>
<td>State Wildlife Grants</td>
</tr>
</tbody>
</table>

8. Dollar threshold used to distinguish between type A and type B programs: $750,000

9. Auditee qualified as low-risk auditee? ❌ yes ☐ no

II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

   No matters were reported.

III. Findings and questioned costs for federal awards.

   No matters were reported.