

Western Pennsylvania Conservancy

Financial Statements and Supplementary Information

**Years Ended December 31, 2020 and 2019
with Independent Auditor's Reports**

MaherDuessel

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WESTERN PENNSYLVANIA CONSERVANCY

YEARS ENDED DECEMBER 31, 2020 AND 2019

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YEARS ENDED DECEMBER 31, 2020 AND 2019

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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, 2020 and 2019, and the related statements of activities, functional expenses, 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, 2020 and 2019, 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 operating revenues and public support without donor restrictions 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 July 19, 2021, 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.

Maher Duessel

Pittsburgh, Pennsylvania
July 19, 2021

WESTERN PENNSYLVANIA CONSERVANCY

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 7,498,686	\$ 3,401,873
Cash held for land acquisition	31,874	37,266
Accounts and pledges receivable	3,070,722	3,161,878
Notes receivable	205,000	266,007
Museum shop inventories	413,380	377,376
Prepaid expenses and deposits	1,353,253	1,126,114
Investments	61,470,429	57,520,015
Property and equipment, net	11,402,893	12,164,363
Fallingwater® and fine art collection	5,740,865	5,728,355
Land conservation projects	22,615,761	21,598,637
Total Assets	\$ 113,802,863	\$ 105,381,884
Liabilities and Net Assets		
Liabilities:		
Land escrows	\$ 31,874	\$ 37,266
Accounts payable and other liabilities	1,650,006	1,756,942
Paycheck Protection Program Loan	2,549,200	-
Charitable gift annuities and other obligations	738,527	627,557
Total Liabilities	4,969,607	2,421,765
Net Assets:		
Without donor restrictions	75,230,552	74,215,065
With donor restrictions:		
Purpose and time restrictions	18,882,765	14,147,640
Perpetual in nature	14,719,939	14,597,414
Total with donor restrictions	33,602,704	28,745,054
Total Net Assets	108,833,256	102,960,119
Total Liabilities and Net Assets	\$ 113,802,863	\$ 105,381,884

See accompanying notes to financial statements.

WESTERN PENNSYLVANIA CONSERVANCY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues and Public Support:			
Contributions, gifts, and grants	\$ 7,468,480	\$ 5,928,879	\$ 13,397,359
Memberships	1,217,386	-	1,217,386
Admissions	1,017,959	-	1,017,959
Sales	698,922	-	698,922
Investment return, net, appropriated by the governing board for current operations	3,408,247	590,891	3,999,138
Rent, royalties, and miscellaneous income	1,016,961	-	1,016,961
Net assets released from restrictions:			
Investment return appropriated and released for current operations from donor-restricted endowment	590,891	(590,891)	-
Satisfaction of program restrictions	3,647,264	(3,647,264)	-
Total operating revenues and public support	19,066,110	2,281,615	21,347,725
Expenses:			
Program	18,906,790	-	18,906,790
Management and general	1,835,401	-	1,835,401
Development	1,891,943	-	1,891,943
Total expenses	22,634,134	-	22,634,134
Change in Net Assets from Operations	(3,568,024)	2,281,615	(1,286,409)
Non-Operating Support and Income:			
Investment return, net, in excess of (less than) amounts appropriated for current operations	2,831,919	1,429,270	4,261,189
Capital gifts, grants, and other income	4,404	2,969,452	2,973,856
Net assets released from restrictions:			
Satisfaction of capital purpose restrictions	1,822,687	(1,822,687)	-
Changes in charitable gift annuities	(73,023)	-	(73,023)
Net gain (loss) on conveyance of land	168	-	168
Net gain (loss) on other assets	(2,644)	-	(2,644)
Total non-operating support and income	4,583,511	2,576,035	7,159,546
Change in Net Assets	1,015,487	4,857,650	5,873,137
Net Assets:			
Beginning of year	74,215,065	28,745,054	102,960,119
End of year	<u>\$ 75,230,552</u>	<u>\$ 33,602,704</u>	<u>\$ 108,833,256</u>

See accompanying notes to financial statements.

WESTERN PENNSYLVANIA CONSERVANCY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues and Public Support:			
Contributions, gifts, and grants	\$ 8,618,938	\$ 3,964,215	\$ 12,583,153
Memberships	1,361,090	-	1,361,090
Admissions	5,190,294	-	5,190,294
Sales	2,634,065	-	2,634,065
Investment return, net, appropriated by the governing board for current operations	2,235,779	566,773	2,802,552
Rent, royalties, and miscellaneous income	603,127	-	603,127
Net assets released from restrictions:			
Investment return appropriated and released for current operations from donor-restricted endowment	566,773	(566,773)	-
Satisfaction of program restrictions	4,479,914	(4,479,914)	-
Total operating revenues and public support	25,689,980	(515,699)	25,174,281
Expenses:			
Program	19,615,646	-	19,615,646
Management and general	2,074,329	-	2,074,329
Development	2,096,458	-	2,096,458
Total expenses	23,786,433	-	23,786,433
Change in Net Assets from Operations	1,903,547	(515,699)	1,387,848
Non-Operating Support and Income:			
Investment return, net, in excess of (less than) amounts appropriated for current operations	5,213,141	1,648,663	6,861,804
Capital gifts, grants, and other income	45,450	1,061,888	1,107,338
Net assets released from restrictions:			
Satisfaction of capital purpose restrictions	736,918	(736,918)	-
Changes in charitable gift annuities	(64,883)	-	(64,883)
Net gain (loss) on conveyance of land	(253,484)	-	(253,484)
Net gain (loss) on other assets	14,153	-	14,153
Total non-operating support and income	5,691,295	1,973,633	7,664,928
Change in Net Assets	7,594,842	1,457,934	9,052,776
Net Assets:			
Beginning of year	66,620,223	27,287,120	93,907,343
End of year	\$ 74,215,065	\$ 28,745,054	\$ 102,960,119

See accompanying notes to financial statements.

WESTERN PENNSYLVANIA CONSERVANCY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program Expenses						Support Activities			
	Land Conservation and Stewardship	Heritage and Conservation Science	Fallingwater®	Government Relations & Community Gardens	Watershed	Communications	Total Program Expenses	Management and General	Development	Total Expenses
Salaries	\$ 739,082	\$ 1,959,976	\$ 2,470,473	\$ 1,056,705	\$ 1,048,896	\$ 234,870	\$ 7,510,002	\$ 1,076,185	\$ 1,004,551	\$ 9,590,738
Fringe benefits	253,442	672,716	846,246	362,374	360,119	80,686	2,575,583	367,049	347,248	3,289,880
Cost of goods sold	-	-	293,668	-	-	-	293,668	-	-	293,668
Supplies and materials	35,120	68,113	244,099	506,170	661,131	7,097	1,521,730	57,901	54,479	1,634,110
Government relations	-	-	-	60,848	-	-	60,848	-	-	60,848
Postage and freight	1,530	1,267	39,895	602	1,562	12,263	57,119	2,326	83,046	142,491
Contracted services	112,915	45,295	179,475	537,841	680,576	41,379	1,597,481	95,626	215,531	1,908,638
Professional services	128,120	206,839	196,641	60,852	71,162	20,889	684,503	35,861	35,042	755,406
Honorariums	-	-	5,115	4,774	1,805	-	11,694	482	357	12,533
Rental expense	20,981	11,781	14,321	25,591	11,329	6,190	90,193	3,788	3,130	97,111
Utilities	19,110	19,392	108,522	26,129	25,618	2,796	201,567	13,686	9,562	224,815
Telecommunications	14,073	9,903	55,676	16,756	19,619	2,083	118,110	9,601	7,523	135,234
Travel/business	14,417	34,546	13,972	11,866	59,908	344	135,053	4,780	8,552	148,385
Training and development	4,930	5,676	25,532	10,431	5,020	1,301	52,890	4,849	2,828	60,567
Marketing/advertising	1,617	2,410	59,976	515	255	35,486	100,259	4,804	9,263	114,326
Repairs and maintenance	19,674	22,882	126,028	25,574	30,913	3,348	228,419	73,297	53,365	355,081
General insurance	25,612	23,677	154,476	20,971	29,409	3,506	257,651	21,531	15,015	294,197
Real estate taxes	80,282	5,216	77,827	4,620	6,479	772	175,196	9,035	7,931	192,162
Contributions/grants	2,265	-	1,835	-	849,571	-	853,671	4,550	-	858,221
Miscellaneous	9,039	10,430	90,669	8,794	13,936	4,005	136,873	10,050	34,520	181,443
Depreciation expense	145,984	162,520	262,351	143,715	203,263	23,958	941,791	40,000	-	981,791
Easement acquisition expense	1,302,489	-	-	-	-	-	1,302,489	-	-	1,302,489
Total expenses	\$ 2,930,682	\$ 3,262,639	\$ 5,266,797	\$ 2,885,128	\$ 4,080,571	\$ 480,973	\$ 18,906,790	\$ 1,835,401	\$ 1,891,943	\$ 22,634,134

See accompanying notes to financial statements.

WESTERN PENNSYLVANIA CONSERVANCY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program Expenses						Support Activities			
				Government Relations & Community						
	Land Conservation and Stewardship	Heritage and Conservation Science	Fallingwater®	Gardens	Watershed	Communications	Total Program Expenses	Management and General	Development	Total Expenses
Salaries	\$ 775,955	\$ 1,968,019	\$ 2,858,889	\$ 1,022,053	\$ 990,479	\$ 252,208	\$ 7,867,603	\$ 1,133,329	\$ 1,092,639	\$ 10,093,571
Fringe benefits	265,078	672,307	976,610	349,152	338,366	86,155	2,687,668	389,810	373,272	3,450,750
Cost of goods sold	-	-	1,024,183	-	-	-	1,024,183	-	-	1,024,183
Supplies and materials	54,793	70,468	452,137	584,305	260,517	6,596	1,428,816	182,276	75,732	1,686,824
Government relations	-	-	-	61,181	-	-	61,181	-	-	61,181
Postage and freight	2,758	952	60,318	1,681	1,340	11,387	78,436	3,189	76,804	158,429
Contracted services	197,944	14,333	343,590	645,282	1,022,760	52,800	2,276,709	123,223	212,627	2,612,559
Professional services	194,395	135,678	323,622	154,409	108,279	24,635	941,018	57,674	46,316	1,045,008
Honorariums	-	-	56,365	7,961	2,738	-	67,064	2,852	2,131	72,047
Rental expense	25,834	27,744	48,824	27,277	21,211	6,749	157,639	7,616	10,399	175,654
Utilities	13,356	20,094	136,532	26,710	22,387	3,289	222,368	17,464	12,203	252,035
Telecommunications	11,153	9,038	42,278	15,870	18,215	2,378	98,932	10,486	8,047	117,465
Travel/business	29,677	61,028	68,181	22,686	72,841	918	255,331	13,937	20,339	289,607
Training and development	4,740	10,894	79,732	17,563	11,031	2,268	126,228	9,206	6,777	142,211
Marketing/advertising	2,087	962	86,325	888	1,143	46,240	137,645	4,251	8,784	150,680
Repairs and maintenance	18,138	28,440	207,513	35,153	32,589	4,474	326,307	27,582	81,524	435,413
General insurance	18,473	24,034	126,632	23,433	23,996	3,933	220,501	18,938	13,187	252,626
Real estate taxes	66,560	5,822	72,196	5,676	5,812	953	157,019	8,376	7,204	172,599
Contributions/grants	43,334	27,826	2,227	301	138,248	50	211,986	6,903	6,130	225,019
Miscellaneous	5,972	9,572	248,165	8,762	9,945	1,594	284,010	17,217	42,343	343,570
Depreciation expense	91,478	163,221	381,421	159,157	162,940	26,785	985,002	40,000	-	1,025,002
Easement acquisition expense	-	-	-	-	-	-	-	-	-	-
Total expenses	\$ 1,821,725	\$ 3,250,432	\$ 7,595,740	\$ 3,169,500	\$ 3,244,837	\$ 533,412	\$ 19,615,646	\$ 2,074,329	\$ 2,096,458	\$ 23,786,433

See accompanying notes to financial statements.

WESTERN PENNSYLVANIA CONSERVANCY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash Flows From Operating Activities:		
Change in net assets	\$ 5,873,137	\$ 9,052,776
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	981,791	1,025,002
Contribution of land conservation project	(17,500)	(45,000)
Accrued interest	17,985	-
Net realized and unrealized (gains) losses on long-term investments	(7,821,564)	(9,054,756)
Contributions restricted for long-term purposes	(119,890)	(629,402)
(Gain) loss on the conveyance of land	(168)	253,484
(Gain) loss on the disposal of other assets	2,644	(14,153)
Changes in assets and liabilities:		
Accounts and pledges receivable	63,529	(832,517)
Notes receivable	61,007	(266,007)
Inventories	(36,004)	53,229
Prepays and other deposits	(227,139)	(135,646)
Land conservation projects	(1,028,633)	(1,438,397)
Charitable gift annuities	(1,056)	(15,759)
Accounts payable and other liabilities	(106,936)	76,736
Net cash provided by (used in) operating activities	(2,358,797)	(1,970,410)
Cash Flows From Investing Activities:		
Purchase of property and equipment	(188,590)	(291,061)
Purchase of land and conservation projects	(668,752)	(1,089,735)
Purchase of investments	(14,143,336)	(33,967,520)
Proceeds from sale of investments	18,014,486	36,036,158
Net cash provided by (used in) investing activities	3,013,808	687,842
Cash Flows From Financing Activities:		
Collections of contributions for long-term purposes	147,517	659,785
(Payments on) proceeds from contributions for land acquisition	(5,392)	(87,873)
Proceeds from note payable	83,301	-
Proceeds from Paycheck Protection Program Loan	2,549,200	-
Repayment of note payable	(21,814)	(356,021)
Capital lease payments	(14,331)	(5,593)
Repayment of line of credit	-	(1,615)
Reimbursements for land conservation projects	697,929	1,070,019
Net cash provided by (used in) financing activities	3,436,410	1,278,702
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	4,091,421	(3,866)
Cash, Cash Equivalents, and Restricted Cash:		
Beginning of year	3,439,139	3,443,005
End of year	\$ 7,530,560	\$ 3,439,139
Supplemental Disclosure of Cash Flow Information:		
Reconciliation of cash, cash equivalents, and restricted cash to the statement of financial position:		
Cash and cash equivalents	\$ 7,498,686	\$ 3,401,873
Cash held for land acquisition	31,874	37,266
Total cash, cash equivalents, and restricted cash	\$ 7,530,560	\$ 3,439,139
Supplemental Schedule of Noncash Investing and Financing Activities:		
Contribution of land conservation project	\$ 17,500	\$ 45,000
Capital lease	\$ 46,885	\$ 16,168

See accompanying notes to financial statements.

WESTERN PENNSYLVANIA CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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 in accordance with accounting principles generally accepted in the United States of America.

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, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic and the COVID-19 control responses.

Measure of Operations

The Conservancy's operating revenues in excess of expenses and transfers include all operating revenues and expenses that are an integral part of its programs and supporting activities, net assets released from donor restrictions to support operating expenditures, and transfers from non-operating funds to support current operating activities. The measure of operations includes support for operating activities from both donor-restricted net assets and net assets without donor restrictions for long-term investment (the donor-restricted endowment and general invested assets) according to the Conservancy's spending policy, which is detailed in Note 10. The measure of operations excludes investment return, net, in excess of (less than) amounts made available for current operations, capital grants and

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

expenditures, gains and losses on sale of land and other assets, and changes in fair value of charitable gift annuities.

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 and Pledges Receivable

Accounts and pledges 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 and net realizable value, 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 as revenues or gains in net assets without donor restrictions.

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 2020 and 2019, a cash drawdown of \$3,999,138 and \$2,802,552, respectively, was made. This distribution is periodically transferred to the Conservancy's operating funds. The

WESTERN PENNSYLVANIA CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

amount transferred is reflected in operating revenues and public support as investment return, net, appropriated for current operations. The difference between total investment income and the transfer is reflected in non-operating support and income and is retained to support operations of future years.

As discussed in Note 12, Fallingwater® operations were impacted by the pandemic. As a result, in addition to the annual spending policy approval, the Board approved a one-time sale of invested assets without donor restriction in the amount of \$1,687,512 to support operating deficits at Fallingwater® during 2020. As of December 31, 2020, the Conservancy made a cash drawdown of \$999,856 from the invested assets without donor restriction sale.

The income from certain donor-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 net assets without donor restrictions. If program expenditures have not exceeded the income generated by these funds, the amount of annual income from these funds is included in net assets with donor restrictions.

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:

<u>Description</u>	<u>Years</u>
Buildings	40
Renovations and improvements	10-15
Vehicles and equipment	5-10

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. There were no indicators of asset impairment during the years ended December 31, 2020 and 2019.

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

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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. The proceeds from deaccession of collection items may be used for acquisitions of new collection items or the direct care of existing collections, including equipment or supplies to aid in that endeavor. The Conservancy considers direct care to especially entail actions that enhance the life, usefulness, or quality of the collection items to ensure they will continue to benefit the public. The Conservancy's collection management policy includes the care of objects by means of conservation services, archival services, collections care investments identified through a conservation assessment and/or plan, and collection care training for staff and volunteers, as activities that are considered direct care of collection items. Additions to the fine art collection totaled \$12,510 and \$0 during the years ended December 31, 2020 and 2019, respectively. There were no deaccessions in 2020 or 2019.

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 due diligence, demolition of structures, legal fees, and miscellaneous other items to return the land to its natural state. 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), each representing a legal interest in land owned by another person or entity. The easements grant the Conservancy the right to use, control, and/or protect the land for conservation purposes. Easements can be acquired by donations from landowners or by the 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 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 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

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and by expensing the amount of the easement purchase funded by revenue without donor restrictions. Total acreage held as easements is disclosed in Note 6.

Land Escrows

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

Contribution Revenue and Revenue Recognition

Contributions, including unconditional promises to give, are recognized when received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Conditional promises to give stipulate a measurable performance or other barrier and a right of return and are recognized only when the conditions on which they depend have been met. Consequently, at December 31, 2019, a contribution of \$400,000 was not recognized in the 2019 accompanying statement of activities because the conditions on which it depends had not yet been met. The total amount of contribution to be received depends on obtaining an approval of individual projects to be funded by the grantor. During 2020, the Conservancy met conditions related to a portion of the conditional promise to give and, as a result, \$172,859 of the contribution was recognized on the statement of activities for the year ended December 31, 2020. The remaining balance of the conditional promise to give at December 31, 2020 is \$227,141.

The Conservancy reports gifts of land, buildings, and equipment as support without donor restriction 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.

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A portion of the Conservancy's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Conservancy has incurred expenditures in compliance with specific contract or grant provisions. The Conservancy had remaining available award balances on federal and state grants and contracts for sponsored projects of \$7,616,711 and \$6,904,937 that have not been recognized at December 31, 2020 and 2019, respectively. These award balances will be recognized as revenue as the projects progress and conditions are met, generally as expenses are incurred. There were no amounts received prior to incurring qualifying expenditures.

Membership gifts, which are nonrefundable, are considered contributed support and are recognized when received. Membership gifts are payable on a voluntary, annual basis and initiated by donors throughout the year.

Revenue from admissions and merchandise sales are recognized at the point the admission access is granted or at the time of merchandise sale. Beginning of year December 31, 2020 and 2019 deferred admission revenue for advance ticket purchases was \$61,723 and \$78,923, respectively. End of year December 31, 2020 and 2019 deferred admission revenue for advance ticket purchases was \$70,759 and \$61,723, respectively. There are no beginning of year or end of year assets related to admissions and merchandise sales and there are no beginning of year or end of year liabilities related to merchandise sales for the years ended December 31, 2020 and 2019. There are no significant judgments related to the amount and timing of revenue and there are no impairment losses recognized.

Methods Used for Allocation of Expenses from Management and General Activities

The costs of program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Those expenses include depreciation, the President's office, information technology department, general overhead, and special initiatives. Depreciation is allocated based on proportionate share of expenses. The President's office is allocated based on estimates of time and effort. The information technology department is allocated based on number of computers. General overhead is allocated based on number of employees by division. Special initiatives are allocated based on estimates of costs utilized by division.

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Net Assets

The net assets of the Conservancy are reported in each of the following two classes: a) net assets without donor restrictions and b) net assets with donor restrictions. Net assets with donor restrictions are created only by donor-imposed restrictions on their use. All other net assets are reported as part of the net assets without donor restrictions class.

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 and, when required, a Form 990-T for unrelated business income.

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 disclosures about fair value measurement (see Notes 2 and 3).

Liquidity and Availability

The following reflects the Conservancy's financial assets (cash and cash equivalents, accounts and pledges receivable, notes receivable, and investments) as of December 31 expected to be available within one year to meet the cash needs for general expenditures.

	<u>2020</u>	<u>2019</u>
Financial assets, at year-end	\$ 72,244,837	\$ 64,349,773
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(18,882,765)	(14,147,640)
Assets to be held in perpetuity	<u>(8,978,545)</u>	<u>(8,856,020)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 44,383,527</u>	<u>\$ 41,346,113</u>

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The Conservancy is substantially supported by contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Conservancy must maintain sufficient resources to meet those responsibilities to its donors. Thus, some financial assets may not be available for general expenditure within one year. As part of the Conservancy's liquidity management, management structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Conservancy manages its liquid resources by focusing on fundraising and grant writing efforts to ensure the entity has adequate contributions and grants to cover the programs that are being conducted. The Conservancy prepares detailed budgets and remains active in fundraising and grant writing as well as cost management to ensure the entity maintains adequate liquidity.

Adopted Accounting Standards

The provisions of these Standards Updates have been adopted and incorporated into these financial statements.

ASU 2019-03, *"Not-for-Profit Entities (Topic 958): Updating the Definition of Collections."* The amendments in this Update modify the definition of the term collections and require that a collection-holding entity disclose its policy for the use of proceeds from when collection items are removed from a collection. If a collection-holding entity has a policy that allows proceeds from deaccessioned collection items to be used for direct care, it should disclose its definition of direct care. Implementation resulted in financial statement disclosure modifications only.

ASU 2018-13, *"Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)."* The amendments remove and modify certain fair value hierarchy leveling disclosures. The implementation of these amendments was applied retrospectively to all periods presented. Implementation resulted in financial statement disclosure modifications only.

Pending Accounting Standards Updates

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Updates (individually and collectively, ASU) that will become effective in future years as outlined below. Management has not yet determined the impact of these updates on the financial statements.

ASU 2016-02, *"Leases (Topic 842),"* is effective, as delayed, for the financial statements for the year beginning after December 15, 2021. These amendments and related amendments will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of

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financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

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 and Pledges Receivable

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

	<u>2020</u>	<u>2019</u>
Accounts receivable:		
Billed federal/state grants and contracts	\$ 2,434,316	\$ 2,167,700
Unbilled federal/state grants and contracts	36,515	201,193
Other	<u>108,480</u>	<u>17,087</u>
Total accounts receivable	<u>2,579,311</u>	<u>2,385,980</u>
Pledges receivable:		
Contributions without donor restriction	3,020	21,510
Contributions with donor restriction		
Time or purpose restrictions	462,662	706,567
Perpetual in nature	<u>60,650</u>	<u>90,050</u>
Gross pledges receivable	526,332	818,127
Less: unamortized discount	<u>(34,921)</u>	<u>(42,229)</u>
Total pledges receivable	<u>491,411</u>	<u>775,898</u>
Net accounts and pledges receivable	<u>\$ 3,070,722</u>	<u>\$ 3,161,878</u>

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

<u>Years ending December 31,</u>	<u>Amount</u>
2021	\$ 147,884
2022	85,260
2023	78,188
2024	65,000
2025	25,000
Thereafter	<u>125,000</u>
	526,332
Less - amount representing discount	<u>(34,921)</u>
	<u><u>\$ 491,411</u></u>

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, 2020 and 2019 are as follows: Level 1 pledges receivable – current - \$147,884 and \$385,769, respectively, and Level 3 pledges receivable – noncurrent - \$343,527 and \$390,129, 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.

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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:

	2020	2019
Balance as of January 1	\$ 390,129	\$ 283,264
Additions of long-term pledges	33,200	177,510
Increases (decreases) due to change in scheduled payments	30,868	1,315
Pledges receivable, which became due within one year	(110,670)	(71,960)
Balance as of December 31	<u>\$ 343,527</u>	<u>\$ 390,129</u>

3. Investments

Investment portfolios at December 31 consisted of the following:

	2020		2019	
	Amount	Percentage	Amount	Percentage
Limited partnerships	\$ 7,948,432	13%	\$ 8,124,933	14%
Fixed-income	11,493,366	19%	11,219,430	20%
Equity instruments	42,028,631	68%	38,175,652	66%
	<u>\$ 61,470,429</u>	<u>100%</u>	<u>\$ 57,520,015</u>	<u>100%</u>

The Conservancy had committed \$13,000,000 and \$14,000,000 in subscriptions to limited partnerships as of December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, the Conservancy had unfunded commitments to its limited partnerships of \$3,717,273 and \$3,692,536, respectively. The total funds invested were approximately \$7,948,000 and \$8,125,000 as of December 31, 2020 and 2019, respectively.

The above investments are being held by custodians and managed by professional investment advisors. Related management fees included in investment return amounted to approximately \$167,000 and \$238,000 in 2020 and 2019, respectively.

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

	2020	2019
Without donor restrictions	\$ 34,189,887	\$ 35,360,485
With donor restrictions:		
Purpose and time restrictions	18,453,765	13,480,269
Perpetual in nature (Notes 8 & 9)	8,826,777	8,679,261
	<u>\$ 61,470,429</u>	<u>\$ 57,520,015</u>

Income earned on investments at December 31 is as follows:

	2020	2019
Realized income:		
Interest and dividends, net	\$ 438,763	\$ 609,600
Gain (loss) on sale of investments	1,523,586	1,776,952
	1,962,349	2,386,552
Unrealized gains (losses)	6,297,978	7,277,804
Net investment gain (loss)	<u>\$ 8,260,327</u>	<u>\$ 9,664,356</u>

The investment income is reported net of investment expenses in the statements of activities for the years ended December 31 as follows:

	2020	2019
Investment return, net, appropriated by the governing board for current operations	\$ 3,999,138	\$ 2,802,552
Investment return, net, in excess of amounts appropriated for current operations	4,261,189	6,861,804
	<u>\$ 8,260,327</u>	<u>\$ 9,664,356</u>

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, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic, and that such changes could materially affect the amounts reported in the statements of financial position.

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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 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. For Level 3 items, the Conservancy's valuation is determined by the market value of the underlying investments for interests in perpetual trusts provided by the trustee as they have no significant observable inputs. 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.

Investments in Limited Partnerships are valued at net asset value per share under the so-called practical expedient. The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using the method are met. The net asset values are determined by the funds and provided by the portfolio manager. Valuations are generally based on the compilation of prices from each fund's underlying company or fund administrator. Upon completion of the fund valuations, the Conservancy's

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individual quarterly investor valuations are based upon their ownership share of each pool. Generally, the Conservancy may not transfer, or withdraw, its investment prior to the limited partnership termination. All investment funds have an original term of ten to twelve years, with the right to extend the term of the fund for one to two years.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of the future fair values. Furthermore, although the Conservancy believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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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, 2020:

	Level 1	Level 2	Level 3	Total
<u>Fixed-income obligations:</u>				
U.S. Government	\$ -	\$ -	\$ -	\$ -
U.S. Corporate	11,427,150	-	-	11,427,150
Foreign Corporate	36,837	-	-	36,837
	<u>11,463,987</u>	<u>-</u>	<u>-</u>	<u>11,463,987</u>
<u>Equity instruments:</u>				
U.S. Corporate	24,732,755	-	-	24,732,755
Foreign Corporate	17,232,877	-	-	17,232,877
	<u>41,965,632</u>	<u>-</u>	<u>-</u>	<u>41,965,632</u>
<u>Perpetual Trust:</u>				
Equity U.S. Corporate	-	-	57,141	57,141
Equity Foreign Corporate	-	-	5,858	5,858
Fixed Income U.S. Corporate	-	-	3,928	3,928
Fixed Foreign Corporate	-	-	25,451	25,451
	<u>-</u>	<u>-</u>	<u>92,378</u>	<u>92,378</u>
Total assets in fair value hierarchy	<u>\$ 53,429,619</u>	<u>\$ -</u>	<u>\$ 92,378</u>	<u>53,521,997</u>
<u>Limited partnerships:</u>				
U.S. Corporate				3,265,620
Foreign Corporate				<u>4,682,812</u>
Investments measured at net asset value *				<u>7,948,432</u>
Investments at fair value				<u>\$ 61,470,429</u>

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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, 2019:

	Level 1	Level 2	Level 3	Total
<u>Fixed-income obligations:</u>				
U.S. Government	\$ 132	\$ -	\$ -	\$ 132
U.S. Corporate	11,160,065	-	-	11,160,065
Foreign Corporate	30,831	-	-	30,831
	<u>11,191,028</u>	<u>-</u>	<u>-</u>	<u>11,191,028</u>
<u>Equity instruments:</u>				
U.S. Corporate	19,192,639	-	-	19,192,639
Foreign Corporate	18,921,672	-	-	18,921,672
	<u>38,114,311</u>	<u>-</u>	<u>-</u>	<u>38,114,311</u>
<u>Perpetual Trust:</u>				
Equity U.S. Corporate	-	-	49,735	49,735
Equity Foreign Corporate	-	-	11,606	11,606
Fixed Income U.S. Corporate	-	-	-	-
Fixed Foreign Corporate	-	-	28,402	28,402
	<u>-</u>	<u>-</u>	<u>89,743</u>	<u>89,743</u>
Total assets in fair value hierarchy	<u>\$ 49,305,339</u>	<u>\$ -</u>	<u>\$ 89,743</u>	<u>49,395,082</u>
<u>Limited partnerships:</u>				
U.S. Corporate				4,444,514
Foreign Corporate				<u>3,680,419</u>
Investments measured at net asset value *				<u>8,124,933</u>
Investments at fair value				<u>\$ 57,520,015</u>

* In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) 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 line items presented in the statements of financial position.

There were no purchases or issues of Level 3 investments and there were no transfers into or out of Level 3 of the fair value hierarchy during 2020 or 2019.

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4. Property and Equipment

Property and equipment at December 31 consisted of:

	2020	2019
Land	\$ 685,000	\$ 685,000
Building and building improvements	13,482,932	13,467,519
Equipment	3,251,441	3,084,865
Ground improvements	6,679,777	6,679,777
Construction in progress	133,065	120,270
	24,232,215	24,037,431
Less: accumulated depreciation	(12,829,322)	(11,873,068)
	<u>\$ 11,402,893</u>	<u>\$ 12,164,363</u>

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:

	2020	2019
Balance as of January 1	\$ 21,598,637	\$ 20,349,005
Additions and acquisitions	2,234,886	2,585,657
Conveyances	(519,833)	(266,006)
Reimbursements	(697,929)	(1,070,019)
Balance as of December 31	<u>\$ 22,615,761</u>	<u>\$ 21,598,637</u>

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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 40,218 and 38,634 acres as easements as of December 31, 2020 and 2019, respectively.

7. Charitable Gift Annuities 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 9.5% of the fair value, discounted at 2% in 2020 and 3% in 2019, of the contributions over the designated beneficiaries' lifetime. The present values of these obligations approximate \$570,000 at December 31, 2020 and 2019, respectively.

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 investments without donor restriction and is intended to be used for short-term financing for land acquisition projects. Interest is payable in the sum of the daily London Inter Bank Offered Rate (LIBOR) rate plus 1.5%. As of December 31, 2020 and 2019, there were no balances due on the line of credit. The line of credit expires on August 31, 2021.

Notes Payable

The Conservancy had 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 was non-interest bearing and was 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, 2020 and 2019 was \$0 and \$12,000, respectively.

8. Paycheck Protection Program Loan

In April 2020, the Conservancy qualified for, and received, a refundable grant pursuant to the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business

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Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (PPP Lender) for an aggregate principal amount of \$2,549,200 (PPP Loan). The PPP Loan bears interest at a fixed rate of 1% per annum, with the first ten months (after the end of the covered period) of interest deferred, has a term of two years, and is unsecured and guaranteed by the SBA. The principal amount of the PPP Loan is subject to forgiveness under the PPP upon the Conservancy's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the PPP, including payroll costs and covered rent and utility payments incurred by the Conservancy. The Conservancy applied for forgiveness of the PPP Loan with respect to these covered expenses and had not yet received notification of forgiveness as of December 31, 2020. As such, the PPP Loan is recorded as a loan payable on the statement of financial position. Accrued interest on the loan at December 31, 2020 was \$17,986. The Conservancy received full forgiveness of the PPP loan from the SBA on June 15, 2021.

9. Net Assets

Certain restricted contributions and grants received are to be expended for specific purposes and/or when a stipulated time restriction ends. Contributions reflected as with donor restrictions in the statements of activities are as follows for the years ended December 31:

	2020	2019
Subject to expenditure for a specified purpose (or purpose and time):		
Conservation	\$ 1,893,721	\$ 1,573,723
Fallingwater®	965,271	68,649
Heritage and Science	66,525	77,666
Community Gardens/Greenspace	1,597,324	716,561
Watershed	754,046	837,712
Other	532,102	60,502
	<u>5,808,989</u>	<u>3,334,813</u>
Subject solely to the passage of time:		
Fallingwater®	-	-
Total subject to purpose and time restrictions	<u>5,808,989</u>	<u>3,334,813</u>
Subject to the Conservancy's spending policy and appropriation:		
Contributions in perpetuity	119,890	629,402
Total operating contributions with donor restrictions	<u>\$ 5,928,879</u>	<u>\$ 3,964,215</u>

WESTERN PENNSYLVANIA CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

Net assets released from donor restrictions as reflected in the statement of activities are as follows for the years ended December 31:

	2020	2019
Subject to expenditure for a specified purpose (or purpose and time):		
Conservation	\$ 1,047,450	\$ 1,972,726
Fallingwater®	647,150	120,836
Heritage and Science	104,829	41,977
Community Gardens/Greenspace	1,173,674	1,469,269
Watershed	552,336	637,490
Other	101,825	217,616
	<u>3,627,264</u>	<u>4,459,914</u>
Subject solely to the passage of time:		
Fallingwater®	<u>20,000</u>	<u>20,000</u>
Total subject to purpose and time restrictions	<u>3,647,264</u>	<u>4,479,914</u>
Subject to the Conservancy's spending policy and appropriation:		
Amount appropriated for expenditures	<u>590,891</u>	<u>566,773</u>
Total operating net assets released from restrictions	<u>\$ 4,238,155</u>	<u>\$ 5,046,687</u>

WESTERN PENNSYLVANIA CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

Net assets with donor restrictions as of December 31 are restricted for the following purpose or periods:

	2020	2019
Subject to expenditure for a specified purpose (or purpose and time):		
Conservation	\$ 3,576,527	\$ 3,565,922
Fallingwater®	433,832	115,710
Community Gardens/Greenspace	1,474,336	1,050,687
Heritage and Science	178,026	191,355
Watershed	1,299,747	1,098,037
Other	1,258,967	450,480
Capital items	2,765,606	1,186,360
	<u>10,987,041</u>	<u>7,658,551</u>
Subject to the passage of time:		
Term endowment, income only to be used until 2038	100,000	100,000
Charitable gift annuities	74,922	74,922
For periods after December 31	43,790	63,790
	<u>218,712</u>	<u>238,712</u>
Subject to the Conservancy's spending policy and appropriation:		
Endowment income restricted to specific programs	7,677,012	6,250,377
Endowment investments in perpetuity and endowment pledges, the income from which is expendable to support:		
Community Gardens/Greenspace	2,837,362	2,835,000
Fallingwater®	2,465,610	2,458,480
Beechwood Farm Sanctuary	50,000	50,000
General Purposes	1,817,852	1,746,467
Specific program support	1,807,721	1,766,073
	<u>8,978,545</u>	<u>8,856,020</u>
Not subject to appropriation or expenditure:		
Land required to be held in perpetuity	1,169,260	1,169,260
Land, proceeds from the sale of which are required to be reinvested in land upon divestment	1,942,636	1,942,636
Fallingwater®	600,000	600,000
Fine art collection (at values assigned at acquisition)	2,029,498	2,029,498
	<u>5,741,394</u>	<u>5,741,394</u>
Total net assets with donor restrictions	<u>\$ 33,602,704</u>	<u>\$ 28,745,054</u>

WESTERN PENNSYLVANIA CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

10. Endowment

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. The Conservancy does not have a Board-designated endowment.

Interpretation of Relevant Law

The Board has elected to apply the Commonwealth of Pennsylvania's Act 141 of 1998 (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 net assets with donor restrictions the original fair value of gifts donated to the donor-restricted endowment and the original fair value of subsequent gifts to the donor-restricted endowment. The undistributed amounts earned are included in net assets with donor restrictions because those net assets are time restricted until the Board appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. 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.

The Conservancy considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Conservancy has interpreted Act 141 to permit spending from underwater funds in accordance with the prudent measures required under the law.

WESTERN PENNSYLVANIA CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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

	<u>2020</u>	<u>2019</u>
	<u>With Donor Restrictions</u>	<u>With Donor Restrictions</u>
Donor-restricted endowment funds:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 8,978,545	\$ 8,856,020
Endowment income restricted to specific programs	<u>7,677,012</u>	<u>6,250,377</u>
Total	<u>\$ 16,655,557</u>	<u>\$ 15,106,397</u>

Changes in donor-restricted endowment funds by net asset type for the years ended December 31 are as follows:

	<u>2020</u>	<u>2019</u>
	<u>With Donor Restrictions</u>	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 15,106,397	\$ 12,828,332
Investment return, net	2,020,161	2,215,436
Contributions	119,890	629,402
Appropriation of endowment assets for expenditure	<u>(590,891)</u>	<u>(566,773)</u>
Endowment net assets, end of year	<u>\$ 16,655,557</u>	<u>\$ 15,106,397</u>

In addition to the investments above, as described in Note 9, the Conservancy maintained other net assets with donor restriction, not subject to appropriation or expenditure, approximating \$5,741,000 at December 31, 2020 and 2019. These assets included land, buildings, and fine art.

WESTERN PENNSYLVANIA CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Act 141 requires the Conservancy to retain as a fund of perpetual duration. The Conservancy had no underwater endowment funds at December 31, 2020 or 2019.

Endowment Investment Objective

The primary objective of endowment fund (Fund) investments is to, as closely as possible, achieve a rate of return in excess of the rate of inflation plus spending over the long term, not necessarily year-by-year, in order to preserve the purchasing power of endowed assets while providing a relatively predictable and growing stream of distributions in support of the Conservancy's operations.

The Board believes that a long-term growth-oriented approach is appropriate, given that annual distributions from the Fund represents approximately 10% 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 12 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.

WESTERN PENNSYLVANIA CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

11. 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. Pension contributions charged to expense amounted to approximately \$1,027,000 and \$1,014,000 in 2020 and 2019, 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, 2020 and 2019, \$817,000 and \$791,000, 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.

12. COVID-19 Impact

The resulting impact of the virus on the operations and measures taken by various governments to contain the virus provided many challenges in carrying out the Conservancy's mission in 2020. The most noticeable impact to the Conservancy was at Fallingwater®. Fallingwater® was closed from March 15, 2020 to June 12, 2020 and operated at limited capacity once reopened. The temporary closure and limited operating capacity at Fallingwater® resulted in lost revenue of approximately \$5 million.

The Conservancy used several strategies and resources during 2020 to address the financial impacts of COVID-19. The Conservancy received a \$2.5 million PPP Loan (Note 8), which provided funding for payroll costs, group healthcare benefits, rent, and utilities across the organization. In addition, the Conservancy acted quickly to reduce operating expenses across the organization, obtain emergency COVID operating grants, and strategically sell investments to address the financial uncertainty in the short-term. Field staff continued working, which allowed the Conservancy to draw down revenue on foundation and government grants. Finally, the Conservancy continued to fundraise throughout the year, resulting in strong giving for the organization as a whole. As a result of these actions, the Conservancy reduced its 2020 operating budget from \$24 million to \$20.5 million, which allowed the Conservancy to remain financially strong with adequate liquidity. Finally, the Conservancy prepared a conservative operating budget for 2021, with the assumption that the pandemic will continue through most of the upcoming fiscal year.

SUPPLEMENTARY INFORMATION

WESTERN PENNSYLVANIA CONSERVANCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal ALN	Grantor Number or Pass-Through Grantor Number	Amounts Passed Through to Subrecipients	Total Federal Expenditures
<u>US Department of the Interior:</u>				
NFWF-USFWS Conservation Partnership	15.663	0407.18.061679	\$ -	\$ 18,070
NFWF-USFWS Conservation Partnership	15.663	0603.18.062800	-	50,000
NFWF-USFWS Conservation Partnership	15.663	0403.18.063011	-	14,886
Total 15.663			-	82,956
<u>Passed through US Fish and Wildlife Service:</u>				
<u>Passed through Pennsylvania Fish and Boat Commission:</u>				
State Wildlife Grants	15.634	PFBC 2017-1023.02	-	68,206
State Wildlife Grants	15.634	PFBC 2015-0526.01	-	49,842
State Wildlife Grants	15.634	PFBC 2020-0624.02	-	40,852
State Wildlife Grants	15.634	PFBC 2016-0328.02	-	87,454
Total 15.634			-	246,354
North American Wetlands Conservation Fund	15.623	F16AP00671	-	96,296
Adaptive Science	15.670	F18AC00969	-	28,326
Great Lakes Restoration	15.662	6136-WPC-USWFS-0396	-	2,521
Great Lakes Restoration	15.662	6134-WPC-USFWS-0396	-	47,336
Great Lakes Restoration	15.662	5863-WPC-USFWS-0051	-	19,668
Great Lakes Restoration	15.662	5874-WPC-USFWS-0051	-	77,514
Total 15.662			-	147,039
Subtotal Passed through US Fish and Wildlife Service			-	518,015
<u>Passed through US Office of Surface Mining:</u>				
Not-for-Profit AMD Reclamation	15.253	S15AC20034	-	120,948
Total - US Department of the Interior			-	721,919
<u>US Department of Housing and Urban Development</u>				
<u>Passed Through the City of Pittsburgh:</u>				
Community Development Block Grants/Entitlement Grants Cluster	14.218	53198	-	27,500
Total US Department of Housing and Urban Development			-	27,500
<u>US Environmental Protection Agency</u>				
<u>Passed through National Fish and Wildlife Foundation:</u>				
Chesapeake Bay Program	66.466	0603.17.057439	-	11,899
Chesapeake Bay Program	66.466	0600.17.058652	-	2
Chesapeake Bay Program	66.466	0603.18.062800	-	76,942
Chesapeake Bay Program	66.466	0603.19.065479	-	12,606
Chesapeake Bay Program	66.466	0603.18.063003	-	14,985
Chesapeake Bay Program	66.466	0603.16.053313	-	48,705
Total 66.466			-	165,139
Total US Environmental Protection Agency			-	165,139

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

WESTERN PENNSYLVANIA CONSERVANCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal ALN	Grantor Number or Pass-Through Grantor Number	Amounts Passed Through to Subrecipients	Total Federal Expenditures
US Department of Agriculture:				
National Fish and Wildlife Foundation/Forest Service	10.683	0407.19.066242	-	1,449
Passed through US Forest Service:				
Cooperative Forestry Assistance	10.664	17-CS-11091900-020	-	4,261
Cooperative Forestry Assistance	10.664	15-CS-11091900-016	-	41,284
Cooperative Forestry Assistance	10.664	20-SA-11091900-007	-	8,846
Cooperative Forestry Assistance	10.664	20-CS-11091900-015	-	35,038
Cooperative Forestry Assistance	10.664	19-DG-11420000-099	-	3,734
Total 10.664			-	93,163
Soil and Water Conservation	10.902	0407.17.058285	-	7,913
Environmental Quality Incentives Program	10.912	0407.17.058285	-	58,226
Subtotal Passed through Forest Service			-	159,302
Total US Department of Agriculture			-	160,751
Total Expenditures of Federal Awards			\$ -	\$ 1,075,309

See accompanying notes to schedule of expenditures of federal awards.

WESTERN PENNSYLVANIA CONSERVANCY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2020

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Western Pennsylvania Conservancy (Conservancy) under programs of the federal government for the year ended December 31, 2020. 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 the 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 the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Indirect Cost Rate

The Conservancy has elected to not use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

WESTERN PENNSYLVANIA CONSERVANCY

SCHEDULE OF OPERATING REVENUES AND PUBLIC SUPPORT WITHOUT DONOR RESTRICTIONS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	Amount		Percent of Total Operating Revenues and Public Support Without Donor Restrictions	
	2020	2019	2020	2019
Contributions, Grants, and Memberships, Including Restrictions Met in Current Year:				
Individuals	\$ 1,879,530	\$ 3,846,944	10%	15%
Foundations	2,999,831	3,681,379	16%	14%
Business community	62,177	595,501	0%	3%
Government	7,391,592	6,336,118	39%	25%
	<u>12,333,130</u>	<u>14,459,942</u>	<u>65%</u>	<u>57%</u>
Earned Income:				
Fallingwater® admissions	1,017,959	5,190,294	5%	20%
Sales from Fallingwater museum shop and café	698,922	2,634,065	4%	10%
Rents, royalties, and miscellaneous	1,016,961	603,127	5%	2%
	<u>2,733,842</u>	<u>8,427,486</u>	<u>14%</u>	<u>32%</u>
Internal Income:				
Investment return designated for current operations	<u>3,999,138</u>	<u>2,802,552</u>	<u>21%</u>	<u>11%</u>
 Total operating revenues and public support without donor restrictions	<u><u>\$ 19,066,110</u></u>	<u><u>\$ 25,689,980</u></u>	<u><u>100%</u></u>	<u><u>100%</u></u>

Western Pennsylvania Conservancy

Independent Auditor's Reports
Required by the Uniform Guidance

Year Ended December 31, 2020

**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, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 19, 2021.

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) as a basis for designing 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.

Board of Directors
Western Pennsylvania Conservancy
Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters

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 financial statements. 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.

Mahe Duessel

Pittsburgh, Pennsylvania
July 19, 2021

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, 2020. 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's 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; and 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.

Board of Directors
Western Pennsylvania Conservancy
Independent Auditor's Report on Compliance for
the Major Program and on Internal control over 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, 2020.

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.

Board of Directors
Western Pennsylvania Conservancy
Independent Auditor's Report on Compliance for
the Major Program and on Internal control over Compliance

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.

Maheer Duessel

Pittsburgh, Pennsylvania
July 19, 2021

WESTERN PENNSYLVANIA CONSERVANCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2020

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:

ALN(s)

15.634

Name of Federal Program or Cluster

State Wildlife Grants

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.

WESTERN PENNSYLVANIA CONSERVANCY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2020

NONE