

Western Pennsylvania Conservancy

Financial Statements and Supplementary Information

Years Ended December 31, 2022 and 2021
with Independent Auditor's Reports

MaherDuessel

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WESTERN PENNSYLVANIA CONSERVANCY

YEARS ENDED DECEMBER 31, 2022 AND 2021

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WESTERN PENNSYLVANIA CONSERVANCY

YEARS ENDED DECEMBER 31, 2022 AND 2021

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Independent Auditor's Report

**Board of Directors
Western Pennsylvania Conservancy**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Western Pennsylvania Conservancy (Conservancy), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Conservancy and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents and the 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* are presented for purposes of additional analysis and are 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 supplementary 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 15, 2023 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 solely 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 the effectiveness of the Conservancy's 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
May 15, 2023

WESTERN PENNSYLVANIA CONSERVANCY

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 1,932,327	\$ 4,071,802
Cash held for land acquisition	652,874	89,117
Accounts and pledges receivable	4,278,315	3,437,557
Notes receivable	330,000	280,000
Museum shop inventories	337,318	303,012
Prepaid expenses and deposits	938,871	1,202,868
Investments	62,328,791	75,968,869
Property and equipment, net	12,111,921	11,480,351
Fallingwater® and fine art collection	5,740,865	5,740,865
Land conservation projects	22,687,148	21,057,199
Total Assets	\$ 111,338,430	\$ 123,631,640
Liabilities and Net Assets		
Liabilities:		
Land escrows	\$ 652,874	\$ 89,117
Accounts payable and other liabilities	1,611,777	1,753,935
Notes payable and other obligations	498,830	649,851
Total Liabilities	2,763,481	2,492,903
Net Assets:		
Without donor restrictions:		
Board-designated	761,864	929,753
Undesignated	72,463,118	80,674,067
Total without donor restrictions	73,224,982	81,603,820
With donor restrictions:		
Purpose and time restrictions	19,228,190	23,447,847
Perpetual in nature	16,121,777	16,087,070
Total with donor restrictions	35,349,967	39,534,917
Total Net Assets	108,574,949	121,138,737
Total Liabilities and Net Assets	\$ 111,338,430	\$ 123,631,640

See accompanying notes to financial statements.

WESTERN PENNSYLVANIA CONSERVANCY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues and Public Support:			
Contributions, gifts, and grants	\$ 10,588,549	\$ 3,484,343	\$ 14,072,892
In-kind contributions	81,653	-	81,653
Memberships	1,634,111	-	1,634,111
Admissions	3,951,284	-	3,951,284
Sales	2,268,220	-	2,268,220
Investment return, net, appropriated by the governing board for current operations	2,053,064	693,957	2,747,021
Rent, royalties, and miscellaneous income	631,361	-	631,361
Net assets released from restrictions:			
Investment return appropriated and released for current operations from donor-restricted endowment	693,957	(693,957)	-
Satisfaction of program restrictions	4,414,221	(4,414,221)	-
Total operating revenues and public support	26,316,420	(929,878)	25,386,542
Expenses:			
Program	21,274,373	-	21,274,373
Management and general	2,228,301	-	2,228,301
Development	2,357,122	-	2,357,122
Total expenses	25,859,796	-	25,859,796
Change in Net Assets from Operations	456,624	(929,878)	(473,254)
Non-Operating Support and Income:			
Investment return, net, in excess of (less than) amounts appropriated for current operations	(10,332,031)	(3,903,010)	(14,235,041)
Gain on extinguishment of debt	-	-	-
Capital gifts, grants, and other income	-	1,726,378	1,726,378
Capital in-kind contributions	501,418	-	501,418
Net assets released from restrictions:			
Satisfaction of capital purpose restrictions	1,078,440	(1,078,440)	-
Changes in charitable gift annuities	27,018	-	27,018
Net gain (loss) on conveyance of land	(110,792)	-	(110,792)
Net gain (loss) on other assets	485	-	485
Total non-operating support and income	(8,835,462)	(3,255,072)	(12,090,534)
Change in Net Assets	(8,378,838)	(4,184,950)	(12,563,788)
Net Assets:			
Beginning of year	81,603,820	39,534,917	121,138,737
End of year	\$ 73,224,982	\$ 35,349,967	\$ 108,574,949

See accompanying notes to financial statements.

WESTERN PENNSYLVANIA CONSERVANCY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues and Public Support:			
Contributions, gifts, and grants	\$ 7,456,698	\$ 8,822,487	\$ 16,279,185
In-kind contributions	87,480	-	87,480
Memberships	1,721,762	-	1,721,762
Admissions	2,797,293	-	2,797,293
Sales	1,656,994	-	1,656,994
Investment return, net, appropriated by the governing board for current operations	2,231,672	583,087	2,814,759
Rent, royalties, and miscellaneous income	481,262	-	481,262
Net assets released from restrictions:			
Investment return appropriated and released for current operations from donor-restricted endowment	583,087	(583,087)	-
Satisfaction of program restrictions	4,185,137	(4,185,137)	-
Total operating revenues and public support	21,201,385	4,637,350	25,838,735
Expenses:			
Program	18,549,054	-	18,549,054
Management and general	1,857,963	-	1,857,963
Development	2,003,153	-	2,003,153
Total expenses	22,410,170	-	22,410,170
Change in Net Assets from Operations	(1,208,785)	4,637,350	3,428,565
Non-Operating Support and Income:			
Investment return, net, in excess of (less than) amounts appropriated for current operations	5,584,499	1,831,668	7,416,167
Gain on extinguishment of debt	2,578,941	-	2,578,941
Capital gifts, grants, and other income	1,150	89,837	90,987
Capital in-kind contributions	-	-	-
Net assets released from restrictions:			
Satisfaction of capital purpose restrictions	626,642	(626,642)	-
Changes in charitable gift annuities	7,814	-	7,814
Net gain (loss) on conveyance of land	(1,244,113)	-	(1,244,113)
Net gain (loss) on other assets	27,120	-	27,120
Total non-operating support and income	7,582,053	1,294,863	8,876,916
Change in Net Assets	6,373,268	5,932,213	12,305,481
Net Assets:			
Beginning of year	75,230,552	33,602,704	108,833,256
End of year	\$ 81,603,820	\$ 39,534,917	\$ 121,138,737

See accompanying notes to financial statements.

WESTERN PENNSYLVANIA CONSERVANCY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program Expenses						Support Activities			Total Expenses
	Land Conservation and Stewardship	Heritage and Conservation Science	Fallingwater®	Government Relations & Community Gardens	Watershed	Communications	Total Program Expenses	Management and General	Development	
Salaries	\$ 706,778	\$ 2,075,396	\$ 3,014,513	\$ 1,259,629	\$ 1,219,009	\$ 275,806	\$ 8,551,131	\$ 1,241,065	\$ 1,248,963	\$ 11,041,159
Fringe benefits	246,571	723,214	1,050,455	438,944	424,787	96,110	2,980,081	432,488	435,240	3,847,809
Cost of goods sold	-	-	853,028	-	-	-	853,028	-	-	853,028
Supplies and materials	43,396	119,010	443,509	507,617	273,330	7,813	1,394,675	68,271	76,755	1,539,701
Government relations	-	-	-	60,899	-	-	60,899	-	-	60,899
Postage and freight	1,749	1,135	68,759	707	843	15,648	88,841	4,398	84,145	177,384
Contracted services	174,199	9,842	272,119	622,062	713,865	57,334	1,849,421	135,337	237,117	2,221,875
Professional services	176,782	217,924	265,984	128,970	219,611	17,161	1,026,432	107,551	72,549	1,206,532
Honorariums	-	450	51,595	3,351	-	-	55,396	3,015	1,894	60,305
Rental expense	21,421	24,708	26,510	20,259	39,346	4,434	136,678	7,695	7,274	151,647
Utilities	11,374	15,670	196,263	22,242	20,915	2,472	268,936	21,295	13,183	303,414
Telecommunications	11,712	8,353	53,481	15,926	20,536	2,735	112,743	10,613	7,666	131,022
Travel/business	23,109	79,363	56,071	33,796	79,751	404	272,494	14,985	24,848	312,327
Training and development	9,535	18,050	24,750	17,892	19,696	2,145	92,068	10,395	6,392	108,855
Marketing/advertising	2,301	99	83,283	-	-	37,617	123,300	4,810	3,062	131,172
Repairs and maintenance	20,789	31,173	151,986	36,295	38,089	4,881	283,213	67,578	69,314	420,105
General insurance	18,290	30,664	176,429	29,217	39,632	4,837	299,069	29,315	17,955	346,339
Real estate taxes	69,559	5,701	76,762	5,432	6,670	899	165,023	11,484	8,417	184,924
Contributions/grants	-	-	2,566	-	886,809	-	889,375	1,200	-	890,575
Miscellaneous	4,372	8,070	222,679	6,779	9,029	1,164	252,093	16,806	42,348	311,247
Depreciation expense	101,677	166,166	349,749	158,333	197,887	26,214	1,000,026	40,000	-	1,040,026
Easement acquisition expense	519,451	-	-	-	-	-	519,451	-	-	519,451
Total expenses	\$ 2,163,065	\$ 3,534,988	\$ 7,440,491	\$ 3,368,350	\$ 4,209,805	\$ 557,674	\$ 21,274,373	\$ 2,228,301	\$ 2,357,122	\$ 25,859,796

See accompanying notes to financial statements.

WESTERN PENNSYLVANIA CONSERVANCY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Program Expenses						Support Activities			Total Expenses
	Land Conservation and Stewardship	Heritage and Conservation Science	Fallingwater®	Government Relations & Community Gardens	Watershed	Communications	Total Program Expenses	Management and General	Development	
Salaries	\$ 697,803	\$ 2,071,613	\$ 2,639,422	\$ 1,100,959	\$ 1,051,444	\$ 262,655	\$ 7,823,896	\$ 1,039,446	\$ 1,053,317	\$ 9,916,659
Fringe benefits	247,416	734,531	935,862	390,382	372,816	93,133	2,774,140	368,564	373,474	3,516,178
Cost of goods sold	-	-	692,227	-	-	-	692,227	-	-	692,227
Supplies and materials	35,747	119,857	309,212	525,773	476,451	4,998	1,472,038	53,047	65,296	1,590,381
Government relations	-	-	-	60,000	-	-	60,000	-	-	60,000
Postage and freight	1,848	3,352	49,339	1,505	1,878	12,546	70,468	3,052	91,965	165,485
Contracted services	127,410	30,624	175,082	586,339	726,223	38,118	1,683,796	120,329	189,836	1,993,961
Professional services	194,584	239,479	400,541	108,374	111,757	22,366	1,077,101	77,410	51,283	1,205,794
Honorariums	-	-	13,855	3,529	3,021	-	20,405	843	624	21,872
Rental expense	25,955	25,922	10,591	22,080	16,688	4,590	105,826	4,798	4,219	114,843
Utilities	7,641	15,259	124,251	23,051	15,852	2,228	188,282	13,579	9,552	211,413
Telecommunications	11,472	8,636	55,766	15,615	17,507	2,131	111,127	9,329	7,042	127,498
Travel/business	15,618	51,868	14,564	14,481	66,189	-	162,720	5,359	8,642	176,721
Training and development	5,343	11,868	45,958	5,510	4,742	1,228	74,649	6,724	3,898	85,271
Marketing/advertising	2,213	66	91,061	57	61	41,713	135,171	4,009	18,090	157,270
Repairs and maintenance	14,100	32,747	136,884	34,205	31,201	4,681	253,818	62,455	57,619	373,892
General insurance	18,888	32,149	165,742	27,753	29,690	4,693	278,915	23,556	16,398	318,869
Real estate taxes	74,926	6,550	77,837	5,654	6,049	956	171,972	8,987	7,820	188,779
Contributions/grants	-	2,500	3,506	-	207,320	-	213,326	2,400	-	215,726
Miscellaneous	6,033	15,323	171,244	11,312	12,854	2,024	218,790	14,076	44,078	276,944
Depreciation expense	80,491	181,569	326,160	156,721	167,651	26,581	939,173	40,000	-	979,173
Easement acquisition expense	21,214	-	-	-	-	-	21,214	-	-	21,214
Total expenses	\$ 1,588,702	\$ 3,583,913	\$ 6,439,104	\$ 3,093,300	\$ 3,319,394	\$ 524,641	\$ 18,549,054	\$ 1,857,963	\$ 2,003,153	\$ 22,410,170

See accompanying notes to financial statements.

WESTERN PENNSYLVANIA CONSERVANCY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash Flows From Operating Activities:		
Change in net assets	\$ (12,563,788)	\$ 12,305,481
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,040,026	979,173
Contribution of land conservation project	(501,418)	(6,000)
Accrued interest	-	(17,986)
Net realized and unrealized (gains) losses on long-term investments	12,203,602	(9,736,825)
Contributions restricted for long-term purposes	(1,785,366)	(1,363,628)
Forgiveness of Paycheck Protection Program Loan	-	(2,549,200)
(Gain) loss on the conveyance of land	110,792	1,244,113
(Gain) loss on the disposal of other assets	(485)	(27,120)
Changes in assets and liabilities:		
Accounts and pledges receivable	(851,939)	(383,344)
Notes receivable	(50,000)	(75,000)
Museum shop inventories	(34,306)	110,368
Prepaid expenses and deposits	263,997	150,385
Land conservation projects	(382,884)	(333,528)
Charitable gift annuities	(94,584)	(23,393)
Accounts payable and other liabilities	(142,158)	103,929
Net cash provided by (used in) operating activities	(2,788,511)	377,425
Cash Flows From Investing Activities:		
Purchase of property and equipment	(1,654,859)	(1,029,511)
Purchase of land and conservation projects	(1,700,718)	(90,356)
Purchase of investments	(20,979,497)	(17,867,156)
Proceeds from sale of investments	22,415,973	13,105,541
Net cash provided by (used in) investing activities	(1,919,101)	(5,881,482)
Cash Flows From Financing Activities:		
Collections of contributions for long-term purposes	1,796,547	1,380,137
(Payments on) proceeds from contributions for land acquisition	563,757	57,243
Proceeds from note payable	-	30,745
Repayment of note payable	(52,358)	(55,785)
Finance lease payments	(20,331)	(22,257)
Reimbursements for land conservation projects	844,279	744,333
Net cash provided by (used in) financing activities	3,131,894	2,134,416
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	(1,575,718)	(3,369,641)
Cash, Cash Equivalents, and Restricted Cash:		
Beginning of year	4,160,919	7,530,560
End of year	\$ 2,585,201	\$ 4,160,919
Supplemental Disclosure of Cash Flow Information:		
Reconciliation of cash, cash equivalents, and restricted cash to the statement of financial position:		
Cash and cash equivalents	\$ 1,932,327	\$ 4,071,802
Cash held for land acquisition	652,874	89,117
Total cash, cash equivalents, and restricted cash	\$ 2,585,201	\$ 4,160,919
Income tax paid	\$ 156,239	\$ 141,908
Supplemental Schedule of Noncash Investing and Financing Activities:		
Finance lease payable	\$ 16,252	\$ -

See accompanying notes to financial statements.

WESTERN PENNSYLVANIA CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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 from those estimates, and those differences could be material.

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 12. The measure of operations excludes investment return, net, in excess of (less than) amounts made available for current operations, gain on the

WESTERN PENNSYLVANIA CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

extinguishment of debt, capital grants and expenditures, capital in-kind gifts, 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.

Receivables from contracts with customers, if they exist, would be reported as accounts receivable in the accompanying statements of financial position. Contract liabilities are reported as deferred revenue in the accompanying statements of financial position.

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.

WESTERN PENNSYLVANIA CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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 2022 and 2021, a cash drawdown of \$2,747,021 and \$2,814,759, 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, 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.

Fallingwater® operations for 2020 were impacted by the pandemic and to a much lesser degree, were impacted for 2021 and 2022 as well. 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 2020 in the amount of \$3,446,578 to support operating deficits at Fallingwater® during the duration of the pandemic. As of December 31, 2022 and 2021, the Conservancy made cash drawdowns of \$29,446 and \$226,174, respectively, from the invested assets without donor restriction.

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 excess 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, 2022 and 2021.

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Leases

The Conservancy determines if an arrangement is or contains a lease at inception. All leases are recorded on the statements of financial position except for leases with an initial term less than 12 months, for which the Conservancy made the short-term lease election and those that are clearly immaterial. Operating lease right-of-use assets (ROU) and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. ROU assets would also include adjustments related to lease payments made and lease incentives received at or before the commencement date. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the rate stated for the lease or an acceptable alternative rate if the lease rate is not disclosed. Operating lease cost would be recognized on a straight-line basis over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Conservancy will exercise that option. The Conservancy had no material operating leases for the years ending December 31, 2022 and 2021.

The Conservancy owns and utilizes the majority of an office building. As the lessor for three operating leases for office space within the building, the Conservancy ensures they follow all guidance for proper disclosures, see Note 5.

For the years ended December 31, 2022 and 2021, the Conservancy had various immaterial finance leases, formerly known as a capital lease. Finance lease ROU assets continue to be included in Property, plant, and equipment, net, and the related liabilities are included within Notes payable and other obligations in the statements of financial position.

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. 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

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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 \$1,418 and \$0 during the years ended December 31, 2022 and 2021, respectively. There were no deaccessions in 2022 or 2021.

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 and by expensing the amount of the easement purchase funded by revenue without donor restrictions. Total acreage held as easements is disclosed in Note 7.

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.

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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. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. 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. During the year ended December 31, 2020, the Conservancy met conditions related to a portion of a \$400,000 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 total amount of contribution to be received depends on obtaining an approval of individual projects to be funded by the grantor. No additional conditions were met during 2021. In 2022, the Conservancy met the conditions related to the remaining portion of the conditional promise to give, and \$227,141 of the contribution was recognized on the statement of activities for the year ended December 31, 2022.

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.

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 \$13,461,630 and \$7,447,573 that have

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not been recognized at December 31, 2022 and 2021, 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. January 1, 2022 and 2021 deferred admission revenue for advance ticket purchases was \$92,260 and \$70,759, respectively. End of year December 31, 2022 and 2021 deferred admission revenue for advance ticket purchases was \$67,306 and \$92,260, respectively. There are no beginning of year or end of year contract assets related to admissions and merchandise sales and there are no beginning of year or end of year contract liabilities related to merchandise sales for the years ended December 31, 2022 and 2021. 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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor- (or certain grantor-) imposed restrictions. The governing board

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has designated, from net assets without donor restrictions, net assets for stewardship projects, legal defense fund, and farmland access initiative excess rental revenues.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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).

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Liquidity and Availability

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

	<u>2022</u>	<u>2021</u>
Financial assets, at year-end	\$ 68,539,433	\$ 83,478,228
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(19,228,190)	(23,447,847)
Assets to be held in perpetuity	<u>(10,380,383)</u>	<u>(10,345,676)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 38,930,860</u>	<u>\$ 49,684,705</u>

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 Pronouncement

The provisions of these Standards Updates have been adopted and incorporated into the Conservancy's financial statements:

ASU 2016-02, "*Leases (Topic 842)*." These amendments and related amendments 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 are required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. In adopting ASC 842, the Conservancy elected to use practical expedients, including but not limited to, not

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reassessing past lease accounting, and not recording assets or liabilities for leases with terms of one year or less. The Conservancy included additional disclosures surrounding leases for which they are the lessor. ASC 842 did not have a significant effect on the Conservancy's accounting for lessee contracts classified as finance leases (formerly known as capital leases). Adoption had no effect on net assets.

ASU 2020-07, *"Not-For-Profit Entities (Subtopic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets."* The amendments in this update expand upon the presentation and disclosure of contributed nonfinancial assets to provide the reader of the financial statements a clearer understanding of the types of nonfinancial assets received and how they are utilized and recognized by the not-for-profit organization.

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 this update on the financial statements.

ASU 2016-13, *"Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,"* is effective, as delayed, for the financial statements for the year beginning after December 15, 2022. These amendments and related amendments require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. This includes loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash.

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.

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2. Accounts and Pledges Receivable

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

	<u>2022</u>	<u>2021</u>
Accounts receivable:		
Billed federal/state grants and contracts	\$ 3,281,335	\$ 2,211,062
Unbilled federal/state grants and contracts	116,839	22,335
Other	203,374	155,644
Total accounts receivable	<u>3,601,548</u>	<u>2,389,041</u>
Pledges receivable:		
Contributions without donor restriction	120,000	23,020
Contributions with donor restriction		
Time or purpose restrictions	543,482	1,008,674
Perpetual in nature	31,700	43,250
Gross pledges receivable	695,182	1,074,944
Less: unamortized discount	<u>(18,415)</u>	<u>(26,428)</u>
Total pledges receivable	<u>676,767</u>	<u>1,048,516</u>
Net accounts and pledges receivable	<u>\$ 4,278,315</u>	<u>\$ 3,437,557</u>

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>
2023	\$ 401,534
2024	127,600
2025	63,000
2026	65,000
2027	25,000
Thereafter	<u>13,048</u>
	695,182
Less - amount representing discount	<u>(18,415)</u>
	<u>\$ 676,767</u>

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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.

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.

3. Investments

Investment portfolios at December 31 consisted of the following:

	2022		2021	
	Amount	Percentage	Amount	Percentage
Limited partnerships	\$ 11,763,530	19%	\$ 10,251,190	14%
Fixed-income	11,748,811	19%	14,621,728	19%
Equity instruments	38,816,450	62%	51,095,951	67%
	<u>\$ 62,328,791</u>	<u>100%</u>	<u>\$ 75,968,869</u>	<u>100%</u>

The Conservancy had committed \$18,500,00 and \$16,500,000 in subscriptions to limited partnerships as of December 31, 2022 and 2021, respectively. At December 31, 2022 and 2021, the Conservancy had unfunded commitments to its limited partnerships of \$6,142,256 and \$5,891,862, respectively. The total funds invested were approximately \$11,764,000 and \$10,251,000 as of December 31, 2022 and 2021, 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 \$233,000 and \$245,000 in 2022 and 2021, respectively.

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

	<u>2022</u>	<u>2021</u>
Without donor restrictions	\$ 33,348,583	\$ 43,296,722
With donor restrictions:		
Purpose and time restrictions	18,703,123	22,465,233
Perpetual in nature (Notes 11 & 12)	<u>10,277,085</u>	<u>10,206,914</u>
	<u>\$ 62,328,791</u>	<u>\$ 75,968,869</u>

Income earned on investments at December 31 is as follows:

	<u>2022</u>	<u>2021</u>
Realized income:		
Interest and dividends, net	\$ 715,582	\$ 494,101
Gain (loss) on sale of investments	<u>1,686,760</u>	<u>5,155,053</u>
	2,402,342	5,649,154
Unrealized gains (losses)	<u>(13,890,362)</u>	<u>4,581,772</u>
Net investment gain (loss)	<u>\$ (11,488,020)</u>	<u>\$ 10,230,926</u>

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

	<u>2022</u>	<u>2021</u>
Investment return, net, appropriated by the governing board for current operations	\$ 2,747,021	\$ 2,814,759
Investment return, net, in excess of amounts appropriated for current operations	<u>(14,235,041)</u>	<u>7,416,167</u>
	<u>\$ (11,488,020)</u>	<u>\$ 10,230,926</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 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

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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 as a 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 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

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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.

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, 2022:

	Level 1	Level 2	Level 3	Total
<u>Fixed-income obligations:</u>				
U.S. Corporate	\$ 11,696,312	\$ -	\$ -	\$ 11,696,312
Foreign Corporate	34,468	-	-	34,468
	11,730,780	-	-	11,730,780
<u>Equity instruments:</u>				
U.S. Corporate	21,453,681	-	-	21,453,681
Foreign Corporate	17,309,201	-	-	17,309,201
	38,762,882	-	-	38,762,882
<u>Perpetual Trust:</u>				
Equity U.S. Corporate	-	-	45,150	45,150
Equity Foreign Corporate	-	-	8,417	8,417
Fixed Income U.S. Corporate	-	-	2,190	2,190
Fixed Foreign Corporate	-	-	15,842	15,842
	-	-	71,599	71,599
Total assets in fair value hierarchy	\$ 50,493,662	\$ -	\$ 71,599	50,565,261
<u>Limited partnerships:</u>				
U.S. Corporate				6,849,216
Foreign Corporate				4,914,314
Investments measured at net asset value *				11,763,530
Investments at fair value				\$ 62,328,791

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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, 2021:

	Level 1	Level 2	Level 3	Total
<u>Fixed-income obligations:</u>				
U.S. Corporate	\$ 14,555,839	\$ -	\$ -	\$ 14,555,839
Foreign Corporate	34,468	-	-	34,468
	<u>14,590,307</u>	<u>-</u>	<u>-</u>	<u>14,590,307</u>
<u>Equity instruments:</u>				
U.S. Corporate	29,652,223	-	-	29,652,223
Foreign Corporate	21,379,268	-	-	21,379,268
	<u>51,031,491</u>	<u>-</u>	<u>-</u>	<u>51,031,491</u>
<u>Perpetual Trust:</u>				
Equity U.S. Corporate	-	-	53,764	53,764
Equity Foreign Corporate	-	-	10,696	10,696
Fixed Income U.S. Corporate	-	-	2,386	2,386
Fixed Foreign Corporate	-	-	29,035	29,035
	<u>-</u>	<u>-</u>	<u>95,881</u>	<u>95,881</u>
Total assets in fair value hierarchy	<u>\$ 65,621,798</u>	<u>\$ -</u>	<u>\$ 95,881</u>	<u>65,717,679</u>
<u>Limited partnerships:</u>				
U.S. Corporate				5,187,486
Foreign Corporate				<u>5,063,704</u>
Investments measured at net asset value *				<u>10,251,190</u>
Investments at fair value				<u>\$ 75,968,869</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 2022 or 2021.

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4. Property and Equipment

Property and equipment at December 31 consisted of:

	<u>2022</u>	<u>2021</u>
Land	\$ 685,000	\$ 685,000
Building and building improvements	14,496,238	13,845,842
Equipment	3,320,206	3,286,072
Ground improvements	8,038,585	6,679,777
Construction in progress	<u>266,746</u>	<u>738,831</u>
	26,806,775	25,235,522
Less: accumulated depreciation	<u>(14,694,854)</u>	<u>(13,755,171)</u>
	<u>\$ 12,111,921</u>	<u>\$ 11,480,351</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. Leases

The Conservancy is the lessor of three leases for office space. The terms of the leases end August 31, 2024, September 30, 2024, and September 30, 2026, respectively. Total rental payments received for 2022 and 2021 under these leases were approximately \$324,000 and \$243,000, respectively.

Minimum lease payments to be received under the office leases are:

2023	\$ 295,251
2024	167,211
2025	107,268
2026	<u>82,260</u>
	<u>\$ 651,990</u>

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6. 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:

	<u>2022</u>	<u>2021</u>
Balance as of January 1	\$ 21,057,199	\$ 22,615,761
Additions and acquisitions	3,104,471	737,999
Conveyances	(630,243)	(1,552,228)
Reimbursements	<u>(844,279)</u>	<u>(744,333)</u>
Balance as of December 31	<u>\$ 22,687,148</u>	<u>\$ 21,057,199</u>

7. 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 41,090 and 40,386 acres as easements as of December 31, 2022 and 2021, respectively.

8. 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 3% in 2022 and 2% in 2021, of the contributions over the designated beneficiaries' lifetime. The present values of these obligations approximate \$450,000 and \$545,000 at December 31, 2022 and 2021, 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 Bloomberg Short-Term Bank Yield Index (BSBY) rate plus 1.5%. As of

WESTERN PENNSYLVANIA CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

December 31, 2022 and 2021, there were no balances due on the line of credit. The line of credit expires on August 31, 2023.

9. Contributed Nonfinancial Assets

The Conservancy received the following contributions of nonfinancial assets (referred to as “in-kind contributions” on the statements of activities) for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Supplies	\$ 14,713	\$ 8,698
Services	65,522	64,107
Miscellaneous	1,418	8,675
Land	<u>501,418</u>	<u>6,000</u>
Total Contributed Nonfinancial Assets	<u>\$ 583,071</u>	<u>\$ 87,480</u>

Contributed supplies and miscellaneous items are valued using estimated U.S. wholesale prices (principal market) of identical or similar products using pricing data under a “like-kind” methodology considering the goods’ condition and utility for use at the time of the contribution. All contributed supplies and miscellaneous items are utilized by the Conservancy’s programs and supporting services.

Contributed services include cleaning, landscape services, and tree planting preparation and delivery. These services are recognized at fair value based on current rates of similar services. All contributed services are utilized by the Conservancy’s programs and supporting services.

During the year ended December 31, 2022, the Conservancy received two donated pieces of land to be used for conservation purposes. Land is valued at fair value on the date of the contribution. The donated land is included in land conservation projects on the Statement of Financial Position.

The contributed nonfinancial assets did not have donor-imposed restrictions.

WESTERN PENNSYLVANIA CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

10. Paycheck Protection Program Loan

In April 2020, the Conservancy qualified for, and received, a loan pursuant to the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, from a qualified lender (PPP Lender) for an aggregate principal amount of \$2,549,200 (PPP Loan). The PPP Loan bore interest at a fixed rate of 1% per annum, with the first ten months (after the end of the covered period) of interest deferred, had a term of two years, and was unsecured and guaranteed by the SBA. The principal amount of the PPP Loan was subject to forgiveness under the PPP upon the Conservancy's request to the extent that the PPP Loan proceeds were used to pay expenses permitted by the PPP, including payroll costs and covered rent and utility payments incurred by the Conservancy. The PPP Loan was recorded as a loan payable on the statement of financial position as of December 31, 2020. The Conservancy applied for forgiveness of the PPP Loan with respect to covered expenses and received full forgiveness on June 15, 2021. Accrued interest of \$0 and \$11,755 was recorded during 2022 and 2021, respectively. The Conservancy recognized a gain on extinguishment of debt of \$2,578,941 in the statement of activities for the year ended December 31, 2021.

11. 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:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for a specified purpose (or purpose and time):		
Land Conservation and Stewardship	\$ 1,188,704	\$ 3,625,429
Fallingwater®	113,889	564,621
Heritage and Conservation Science	277,623	186,735
Community Gardens/Greenspace	1,164,544	1,363,589
Watershed	462,405	830,976
Other	218,189	887,509
	<u>3,425,354</u>	<u>7,458,859</u>
Subject solely to the passage of time:		
Fallingwater®	-	-
Total subject to purpose and time restrictions	<u>3,425,354</u>	<u>7,458,859</u>
Subject to the Conservancy's spending policy and appropriation:		
Contributions in perpetuity	<u>58,989</u>	<u>1,363,628</u>
Total operating contributions with donor restrictions	<u>\$ 3,484,343</u>	<u>\$ 8,822,487</u>

WESTERN PENNSYLVANIA CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for a specified purpose (or purpose and time):		
Land Conservation and Stewardship	\$ 1,307,415	\$ 1,225,155
Fallingwater®	254,087	605,659
Heritage and Conservation Science	135,160	115,075
Community Gardens/Greenspace	1,552,290	1,490,323
Watershed	795,188	625,555
Other	370,081	103,370
	<u>4,414,221</u>	<u>4,165,137</u>
Subject solely to the passage of time:		
Fallingwater®	-	20,000
	<u>4,414,221</u>	<u>4,185,137</u>
Subject to the Conservancy's spending policy and appropriation:		
Amount appropriated for expenditures	693,957	583,087
Total operating net assets released from restrictions	<u>\$ 5,108,178</u>	<u>\$ 4,768,224</u>

WESTERN PENNSYLVANIA CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for a specified purpose (or purpose and time):		
Land Conservation and Stewardship	\$ 4,074,092	\$ 6,767,382
Fallingwater®	252,595	392,793
Community Gardens/Greenspace	1,250,856	1,347,602
Heritage and Conservation Science	515,083	347,119
Watershed	1,339,088	1,505,168
Other	2,840,791	1,205,023
Capital items	<u>3,130,526</u>	<u>2,178,871</u>
	<u>13,403,031</u>	<u>13,743,958</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	<u>23,790</u>	<u>23,790</u>
	<u>198,712</u>	<u>198,712</u>
Subject to the Conservancy's spending policy and appropriation:		
Endowment income restricted to specific programs	5,626,447	9,505,177
Endowment investments in perpetuity and endowment pledges, the income from which is expendable to support:		
Community Gardens/Greenspace	2,840,221	2,838,104
Fallingwater®	2,465,610	2,465,610
Beechwood Farm Sanctuary	50,000	50,000
General Purposes	1,808,374	1,832,405
Specific program support	<u>3,216,178</u>	<u>3,159,557</u>
	<u>10,380,383</u>	<u>10,345,676</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)	<u>2,029,498</u>	<u>2,029,498</u>
	<u>5,741,394</u>	<u>5,741,394</u>
Total net assets with donor restrictions	<u>\$ 35,349,967</u>	<u>\$ 39,534,917</u>

WESTERN PENNSYLVANIA CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

12. 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 (without consideration for additional spending allowed as part of pandemic relief), 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, 2022 AND 2021

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

	<u>2022</u>	<u>2021</u>
	With Donor Restrictions	With Donor Restrictions
Donor-restricted endowment funds:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 10,380,383	\$ 10,345,676
Endowment income restricted to specific programs	<u>5,626,447</u>	<u>9,505,177</u>
Total	<u>\$ 16,006,830</u>	<u>\$ 19,850,853</u>

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

	<u>2022</u>	<u>2021</u>
	With Donor Restrictions	With Donor Restrictions
Endowment net assets, beginning of year	\$ 19,850,853	\$ 16,655,557
Investment return, net	(3,209,054)	2,414,755
Contributions	58,988	1,363,628
Appropriation of endowment assets for expenditure	<u>(693,957)</u>	<u>(583,087)</u>
Endowment net assets, end of year	<u>\$ 16,006,830</u>	<u>\$ 19,850,853</u>

In addition to the investments above, as described in Note 11, the Conservancy maintained other net assets with donor restrictions, not subject to appropriation or expenditure, approximating \$5,741,000 at December 31, 2022 and 2021. These assets included land, buildings, and fine art.

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.

WESTERN PENNSYLVANIA CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

As of December 31, 2022, three donor-restricted endowment funds had aggregated original values totaling \$1,358,619, current fair values totaling \$1,202,124, and deficiencies totaling \$156,494. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that were deemed prudent by management.

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 represent approximately 14% 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, 2022 AND 2021

13. 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 \$1,070,000 and \$1,031,000 in 2022 and 2021, 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, 2022 and 2021, \$715,000 and \$848,000, 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.

14. Commitments and Contingencies

The Conservancy has the following construction commitments as of December 31, 2022. The Conservancy has secured grant funding for both construction projects.

	<u>2022</u>
Fallingwater Preserved	\$ 5,839,179
Elk Creek Streambank Restoration	<u>127,526</u>
	<u>\$ 5,966,705</u>

SUPPLEMENTARY INFORMATION

WESTERN PENNSYLVANIA CONSERVANCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2022

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 the Interior:				
NFWF-USFWS Conservation Partnership	15.663	0407.20.070287	\$ -	\$ 47,059
NFWF-USFWS Conservation Partnership	15.663	0407.21.072642	-	78,349
NFWF-USFWS Conservation Partnership	15.663	0407.22.073598	-	2,939
Total 15.663			-	128,347
Passed through US Fish and Wildlife Service:				
Fish and Wildlife Management Assistance	15.608	4100088582	-	3,072
Fish and Wildlife Management Assistance	15.608	400024185	-	4,372
Total 15.608			-	7,444
Passed through Pennsylvania Game Commission:				
Fish and Wildlife Cluster				
Wildlife Restoration and Basic Hunter Education	15.611	400022663	-	4,146
Total Fish and Wildlife Cluster/Total 15.611			-	4,146
Passed through Pennsylvania Fish and Boat Commission:				
State Wildlife Grants	15.634	PFBC 2017-1023.02	-	59,857
State Wildlife Grants	15.634	PFBC 2022-0818.01	-	25,880
State Wildlife Grants	15.634	PFBC 2020-0624.02	-	98,480
State Wildlife Grants	15.634	PFBC 2022-0817.01	-	7,127
State Wildlife Grants	15.634	PFBC-2021-0624.01	-	103,051
US Fish & Wildlife Service/PA Fish and Boat Commission	15.634	4100090012	-	22,342
State Wildlife Grants	15.634	4100089476	-	34,825
State Wildlife Grants	15.634	PFBC 2020-0807.03	-	9,276
Total 15.634			-	360,838
North American Wetlands Conservation Fund	15.623	F21AP01177-00	-	1,475
US Fish & Wildlife Service/Endangered Species Recovery Implementation	15.657	F21AP03194-00	-	29,806
Great Lakes Restoration	15.662	6136-WPC-USWFS-0396	-	41,381
Great Lakes Restoration	15.662	S001388-USFWS	-	77,949
Great Lakes Restoration	15.662	S001806-USFWS	-	2,839
Great Lakes Restoration	15.662	S001807-USFWS	-	122,975
Total 15.662			-	245,144
Subtotal Passed through US Fish and Wildlife Service				
Passed through National Park Service:				
Cooperative Research and Training Programs –				
Resources of the National Park System	15.945	P20AC00323	-	10,010
US Geological Survey/Research and Data Collection	15.808	14-0G0122P0032	-	2,341
Total - US Department of the Interior				
			-	789,551
US Department of Housing and Urban Development:				
Passed Through The City of Pittsburgh:				
Community Development Block Grants/Entitlement Grants	14.218	54005	-	5,000
Total US Department of Housing and Urban Development				
			-	5,000
US Environmental Protection Agency				
Passed through National Fish and Wildlife Foundation:				
National Fish and Wildlife Foundation/Chesapeake Bay Program	66.466	0603.19.065479	-	29,950
Chesapeake Bay Program	66.466	0407.20.070287	-	16,361
Nonsource Point Implementation Program	66.466	C990002336	-	20,140
Chesapeake Bay Foundation	66.466	0602.20.067475	-	7,873
National Fish and Wildlife Foundation	66.466	0603.21.072377	-	20,303
Subtotal Passed through National Fish and Wildlife Foundation				
			-	94,627
Total 66.466			-	94,627
Total US Environmental Protection Agency				
			-	94,627

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

WESTERN PENNSYLVANIA CONSERVANCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2022

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:				
Passed through US Forest Service:				
Cooperative Forestry Assistance	10.664	17-CS-11091900-020	-	3,816
Cooperative Forestry Assistance	10.664	22-CS-11091900-008	-	10,000
Cooperative Forestry Assistance	10.664	20-SA-11091900-007	-	155,087
Cooperative Forestry Assistance	10.664	22-CS-11091900-016	-	29,877
Cooperative Forestry Assistance	10.664	21-DG-11094200-031	-	4,414
Cooperative Forestry Assistance	10.664	19-DG-11420000-099	-	15,658
Total 10.664			-	218,852
USDA Forest Service/Urban and Community Forestry Program	10.675	21-DG-11094200-165	-	64,760
USDA Forest Service/Forest Stewardship Program	10.678	22-DG-11094200-194	-	23,176
Soil and Water Conservation	10.902	0407.19.066242	-	49,683
Soil and Water Conservation	10.902	0407.20.070288	-	22,155
Total 10.902			-	71,838
Natural Resources Conservation Service/Environmental Quality Incentives Program	10.912	0603.19.065479	-	1,002
Subtotal Passed through US Forest Service			-	379,628
Total US Department of Agriculture			-	379,628
Total Expenditures of Federal Awards			\$ -	\$ 1,268,806

(Concluded)

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, 2022

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, 2022. 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, 2022 AND 2021

	Amount		Percent of Total Operating Revenues and Public Support Without Donor Restrictions	
	2022	2021	2022	2021
Contributions, Grants, and Memberships, Including Restrictions Met in Current Year:				
Individuals	\$ 3,550,624	\$ 2,436,955	14%	12%
Foundations	4,045,982	3,812,476	15%	18%
Business community	785,125	306,322	3%	1%
Government	8,336,803	6,895,324	32%	33%
	<u>16,718,534</u>	<u>13,451,077</u>	<u>64%</u>	<u>64%</u>
Earned Income:				
Fallingwater® admissions	3,951,284	2,797,293	15%	13%
Sales from Fallingwater museum shop and café	2,268,220	1,656,994	9%	8%
Rents, royalties, and miscellaneous	631,361	481,262	2%	2%
	<u>6,850,865</u>	<u>4,935,549</u>	<u>26%</u>	<u>23%</u>
Internal Income:				
Investment return designated for current operations	2,747,021	2,814,759	10%	13%
	<u>2,747,021</u>	<u>2,814,759</u>	<u>10%</u>	<u>13%</u>
Total operating revenues and public support without donor restrictions	<u>\$ 26,316,420</u>	<u>\$ 21,201,385</u>	<u>100%</u>	<u>100%</u>

WESTERN PENNSYLVANIA CONSERVANCY

SCHEDULE OF STEWARDSHIP NET ASSETS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	Amount	
	2022	2021
Stewardship Funds		
Without Donor Restrictions:		
<hr/>		
Without donor restrictions:		
Stewardship Legal Defense	\$ 4,404	\$ 4,404
Ben Holland Stewardship Fund	-	-
Board-designated:		
Stewardship Legal Defense	168,426	196,665
Ben Holland Stewardship Fund	376,293	438,008
Total without donor restrictions	549,123	639,077
With Donor Restrictions:		
<hr/>		
Purpose and time restrictions:		
Stewardship Legal Defense	145,010	136,990
Ben Holland Stewardship Fund	820,144	1,139,685
Perpetual in nature:		
Stewardship Legal Defense	-	-
Ben Holland Stewardship Fund	674,509	658,561
Total with donor restrictions	1,639,663	1,935,236
Total Stewardship Net Assets	\$ 2,188,786	\$ 2,574,313

Western Pennsylvania Conservancy

Independent Auditor's Reports
Required by the Uniform Guidance

Year Ended December 31, 2022

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, 2022, 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 May 15, 2023.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mahe Duessel

Pittsburgh, Pennsylvania
May 15, 2023

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

Opinion on the Major Federal Program

We have audited the Western Pennsylvania Conservancy's (Conservancy) compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

Basis for Opinion on the Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Conservancy and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Conservancy's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Conservancy's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Conservancy's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Conservancy's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Conservancy's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Conservancy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Conservancy's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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*

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compliance is a deficiency, or a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Mahe Duessel

Pittsburgh, Pennsylvania
May 15, 2023

WESTERN PENNSYLVANIA CONSERVANCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2022

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 Program:

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, 2022

NONE