

**CONSERVANCY FOR CUYAHOGA  
VALLEY NATIONAL PARK**  
(A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED AUGUST 31, 2016  
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2015)

**CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK**  
**FINANCIAL STATEMENTS**  
**AUGUST 31, 2016**

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## ***INDEPENDENT AUDITOR'S REPORT***

To the Board of Trustees of  
Conservancy for Cuyahoga Valley National Park

We have audited the accompanying financial statements of Conservancy for Cuyahoga Valley National Park (the "Conservancy", a nonprofit organization), which comprise the statement of financial position as of August 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating

the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Conservancy for Cuyahoga Valley National Park as of August 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited Conservancy for Cuyahoga Valley National Park's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 14, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Carl Palmer Albison & Co.*

Cleveland, Ohio  
December 19, 2016

## FINANCIAL STATEMENTS

**CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK**  
**STATEMENT OF FINANCIAL POSITION**  
**AUGUST 31, 2016**  
(With Comparative Totals as of August 31, 2015)

	<u>ASSETS</u>	
	<u>2016</u>	<u>2015</u>
ASSETS:		
Cash and cash equivalents, unrestricted	\$ 405,500	\$ 320,381
Cash and cash equivalents, temporarily restricted	1,381,209	840,456
Accounts receivable, program, net of allowance for doubtful accounts	55,142	38,448
Accounts receivable, National Park Service	-	53,687
Certificates of deposit, temporarily restricted	750,313	750,390
Endowment funds, temporarily restricted	1,359,495	1,366,148
Prepaid expenses and supplies	134,205	121,022
Property and equipment, net	<u>224,385</u>	<u>279,480</u>
<b>TOTAL ASSETS</b>	<b><u>\$4,310,249</u></b>	<b><u>\$3,770,012</u></b>
	<u>LIABILITIES AND NET ASSETS</u>	
LIABILITIES:		
Accounts payable	\$ 194,238	\$ 249,557
Accounts payable, National Park Service	50,682	16,321
Accrued expenses	84,624	56,094
Deferred revenue	34,635	54,685
Program deposits	197,785	208,990
Visitor Center deposits	1,422,427	926,402
Note payable	<u>70,000</u>	<u>90,000</u>
Total liabilities	<u>2,054,391</u>	<u>1,602,049</u>
NET ASSETS:		
Unrestricted	163,772	83,684
Temporarily restricted	<u>2,092,086</u>	<u>2,084,279</u>
Total net assets	<u>2,255,858</u>	<u>2,167,963</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$4,310,249</u></b>	<b><u>\$3,770,012</u></b>

The accompanying notes are an integral part of the financial statements.

**CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2016**  
(With Comparative Totals as of August 31, 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
<b>REVENUE AND SUPPORT:</b>				
Environmental education:				
Program fees, net of scholarships of \$158,684 and \$152,415 in 2016 and 2015, respectively	\$ 523,268	\$ -	\$ 523,268	\$ 602,638
Community outreach	1,069,560	-	1,069,560	821,737
Contributions and grants:				
National Park Service program support	-	405,123	405,123	306,170
Special events	21,301	516,312	537,613	492,751
Environmental education programs	-	465,723	465,723	467,004
Memberships	882,787	-	882,787	676,276
Community outreach	24,223	196,642	220,865	159,812
Trails Forever and projects	-	96,678	96,678	595,287
General operations	127,146	-	127,146	210,828
Investment income (loss)	4,310	(59,281)	(54,971)	27,470
Other income	43,254	-	43,254	35,231
Net assets released from restrictions	<u>1,613,390</u>	<u>(1,613,390)</u>	<u>-</u>	<u>-</u>
Total revenue, support and reclassifications	<u>4,309,239</u>	<u>7,807</u>	<u>4,317,046</u>	<u>4,395,204</u>
<b>EXPENDITURES:</b>				
Program services:				
Environmental education programs	886,741	-	886,741	1,035,170
Community outreach and park support	1,735,451	-	1,735,451	1,369,030
Special events	339,351	-	339,351	307,309
Trails Forever and projects	<u>316,844</u>	<u>-</u>	<u>316,844</u>	<u>444,476</u>
Total program services	<u>3,278,387</u>	<u>-</u>	<u>3,278,387</u>	<u>3,155,985</u>
Support services:				
Management and general	376,075	-	376,075	364,688
Fundraising	<u>574,689</u>	<u>-</u>	<u>574,689</u>	<u>564,514</u>
Total support services	<u>950,764</u>	<u>-</u>	<u>950,764</u>	<u>929,202</u>
Total expenditures	<u>4,229,151</u>	<u>-</u>	<u>4,229,151</u>	<u>4,085,187</u>
CHANGES IN NET ASSETS	80,088	7,807	87,895	310,017
NET ASSETS, BEGINNING OF YEAR	<u>83,684</u>	<u>2,084,279</u>	<u>2,167,963</u>	<u>1,857,946</u>
NET ASSETS, END OF YEAR	<u>\$ 163,772</u>	<u>\$2,092,086</u>	<u>\$2,255,858</u>	<u>\$2,167,963</u>

The accompanying notes are an integral part of the financial statements.

**CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED AUGUST 31, 2016**  
**(With Comparative Totals as of August 31, 2015)**

	2016					2015	
	Program Services			Support Services		2016 Total	2015 Total
	Environmental Education Programs	Community Outreach and Park Support	Special Events	Trails Forever and Projects	Management and General		
Salaries and wages	\$ 548,896	\$ 741,932	\$ 33,658	\$ 94,997	\$ 91,097	\$ 388,975	\$ 1,899,555
Payroll taxes and benefits	125,620	155,548	4,848	18,969	35,480	80,135	420,600
Program supplies and merchandise	41,246	355,154	228,610	3,372	1,406	23,634	653,422
Food services	73,746	54,034	2,192	-	1,375	7,394	138,741
Facility supplies and service	10,676	65,224	-	-	5,590	-	81,490
Contractor fees and services	10,400	131,985	68,075	144,515	-	1,800	356,775
Transportation services	26,427	14,646	-	-	-	-	41,073
Marketing	6,240	23,062	1,873	6,509	3,682	42,230	83,596
Office supplies, equipment, and support	7,395	13,958	-	-	88,786	721	110,860
Utilities, communications, and postage	5,961	42,620	95	362	18,805	20,071	87,914
Staff related expenses	17,011	5,467	-	-	25,224	2,370	50,072
Professional fees, dues, and subscriptions	1,131	23,702	-	4,108	75,086	7,359	111,386
Liability insurance	10,040	15,332	-	-	9,199	-	34,571
Rental expense	-	42,516	-	-	-	-	42,516
Donations and grants	-	-	-	44,012	4,840	-	48,852
Depreciation	1,952	47,771	-	-	15,133	-	64,856
Other expenses	-	2,500	-	-	372	-	2,872
Total functional expenses	\$ 886,741	\$ 1,735,451	\$ 339,351	\$ 316,844	\$ 376,075	\$ 574,689	\$ 4,229,151
							\$ 4,085,187

The accompanying notes are an integral part of the financial statements.



**CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**  
(With Comparative Totals as of August 31, 2015)

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 87,895	\$ 310,017
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	64,856	70,840
Increase (decrease) in allowance for doubtful accounts	(788)	4,200
Unrealized (gain) loss on endowment funds	59,281	(24,512)
Unrealized (gain) loss on certificates of deposit	77	(390)
Contributions restricted for long-term purposes	(7,500)	(6,750)
Forgiveness of debt	(20,000)	-
(Increase) decrease in operating assets:		
Accounts receivable, program	(15,906)	9,519
Accounts receivable, National Park Service	53,687	(53,687)
Pledges and grants receivable	-	36,500
Prepaid expenses and supplies	(13,183)	(13,380)
Increase (decrease) in operating liabilities:		
Accounts payable	(55,319)	140,927
Accounts payable, National Park Service	34,361	(24,136)
Accrued expenses	28,530	(2,423)
Deferred revenue	(20,050)	(1,342)
Program deposits	(11,205)	47,988
Visitor Center deposits	496,025	176,000
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>680,761</u>	<u>669,371</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment in temporarily restricted endowment funds	(106,855)	(136,142)
Capital expenditures	(9,761)	(3,515)
Distribution from endowment funds	61,727	56,950
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(54,889)</u>	<u>(82,707)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	625,872	586,664
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,160,837</u>	<u>574,173</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$1,786,709</u></u>	<u><u>\$1,160,837</u></u>

The accompanying notes are an integral part of the financial statements.

**CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016**

**1. ORGANIZATION**

Conservancy for Cuyahoga Valley National Park (the "Conservancy") is a nonprofit corporation working to protect, support and promote Cuyahoga Valley National Park. The Conservancy is the friends group for Cuyahoga Valley National Park and engages public support and provides services to enhance public use and enjoyment of the park.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the statements to the reader.

**Financial statement presentation**

The Conservancy is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**Contributions**

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

**Cash and cash equivalents**

For purposes of the statement of cash flows, the Conservancy considers cash on hand, demand deposits, and money market funds to be cash and cash equivalents. Cash and cash equivalents received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash and cash equivalents for purposes of the statement of cash flows.

**Certificates of deposit**

The Conservancy invests in certificates of deposits with interest rates ranging from 0.55% to 0.70% and maturities ranging from four to ten months from the statement of financial position date.

**Pledges receivable**

Included in pledges and grants receivable, if any, are grants and unconditional promises to give, all of which are expected to be collected currently.

**CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Allocation of expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between program and support services.

**Property and equipment**

Acquisitions of property and equipment in excess of \$1,000 and expenditures for repairs, maintenance, and renewals that significantly extend the useful lives of assets are capitalized. Property and equipment are carried at cost. When property and equipment are retired or otherwise disposed of, the cost of the property or equipment is removed from the asset account, accumulated depreciation is charged with an amount equivalent to the depreciation provided, and the difference is charged or credited to operations as a gain or loss.

Depreciation has been provided using the straight-line and accelerated methods of accounting in order to relate the cost of the assets to operations over their estimated service lives. Depreciation expense for the year ended August 31, 2016 was \$64,856.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. While actual results could differ from those estimates, management does not expect those differences to be significant to the financial statements.

**Concentration of credit risk**

The Conservancy maintains its cash and cash equivalents in accounts which at times may exceed federally insured limits. The Conservancy has not experienced any losses in such accounts and management of the Conservancy believes it is not exposed to any significant credit risk.

**Advertising and marketing costs**

The Conservancy conducts non-direct response advertising. These costs are expensed as incurred. Advertising expense for the year ended August 31, 2016 was \$83,596.

**CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accounts receivable and allowance for doubtful accounts**

The Conservancy grants credit to program activity participants as deemed necessary and mitigates the associated risk by performing ongoing credit evaluations. Accounts are charged to bad debt expense as they are deemed uncollectible based upon a periodic review of accounts. At August 31, 2016, accounts receivable are stated net of an allowance for doubtful accounts of \$4,000. Bad debt expense amounted to \$372 for the year ended August 31, 2016.

**3. ENDOWMENT FUNDS**

The Conservancy's endowment consists of seven individual funds established for a variety of purposes. Its endowment includes donor-restricted funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Conservancy has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Conservancy classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Conservancy in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Conservancy considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Conservancy, and (7) the Conservancy's investment policies.

*Investment Return Objectives, Risk Parameters and Strategies.* The Conservancy has granted ultimate authority and control over the endowment funds to the Akron Community Foundation and the Cleveland Foundation, together the "Foundations", who each hold certain individual endowment funds. In doing so, the Conservancy allows the Foundations to manage the endowment funds and set the investment return objectives, risk parameters and strategies. While the Foundations manage the endowment funds, the Conservancy holds variance power over the funds.

**CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016**

**3. ENDOWMENT FUNDS (Continued)**

*Spending Policy.* The Conservancy has different spending policies for each endowment. These policies vary from appropriating the distribution of only net income to appropriating up to 6% of the endowment's fair value for distribution.

Endowment net asset composition by type of fund as of August 31, 2016 is as follows:

	<u>Temporarily Restricted</u>
Donor-restricted endowment funds	\$ 1,359,495

Changes in endowment net assets as of August 31, 2016 are as follows:

	<u>Temporarily Restricted</u>
Endowment net assets, beginning of year	\$ 1,366,148
Contributions	114,355
Investment losses, net \$15,681 of investment fees	(59,281)
Appropriated for expenditures	<u>(61,727)</u>
Endowment net assets, end of year	\$ <u>1,359,495</u>

**4. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of August 31, 2016:

Computer equipment	\$ 87,045
Office equipment	180,952
Store buildings	357,960
Less accumulated depreciation	<u>(401,572)</u>
Property and equipment, net	\$ <u>224,385</u>

**CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016**

**5. NOTE PAYABLE**

The Conservancy entered into a loan and grant agreement with an unrelated party. Per the terms of the agreement, the unrelated party agreed to lend the Conservancy \$90,000 to be used for the construction of certain improvements to a store space that the Conservancy leases from the same unrelated party. The loan bears interest at 3%, which is payable quarterly. The Conservancy met certain provisions of the agreement and \$20,000 of the note payable was forgiven by the unrelated party during 2016. All outstanding principal on the note is payable on May 1, 2022. The outstanding balance of the loan as of August 31, 2016 was \$70,000.

**6. BOARD DESIGNATED UNRESTRICTED NET ASSETS**

Unrestricted net assets that are designated by the Board and are being held by the Conservancy include the following as of August 31, 2016:

Photographic society	\$ <u>9,255</u>
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**7. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets represent funds to be used in future periods and are restricted for the following purposes as of August 31, 2016:

Trails Forever	\$ 1,100,978
Scholarships	319,151
Environmental education program scholarships	173,881
Environmental education	170,670
General operations	159,201
Fundraising and projects	84,689
Community outreach	<u>83,516</u>
	\$ <u>2,092,086</u>

The Conservancy released net assets of \$1,613,390 from temporary restrictions during the year ended August 31, 2016 by incurring expenditures which satisfied their restricted purposes.

**CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016**

**8. DONATED SERVICES AND FACILITIES**

The Conservancy receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the statement of activities because the criteria for recognition have not been satisfied. Volunteer hours totaled approximately 31,900 hours for the year ended August 31, 2016.

In addition, the Conservancy occupies, without charge, certain administrative and program facilities owned by the National Park Service. The fair rental value of these premises, including utilities and services such as security and parking, cannot be reasonably estimated by management or the National Park Service and, therefore, are not reflected in the financial statements.

**9. PENSION PLANS**

The Conservancy has a defined contribution retirement plan and a tax-deferred annuity plan, both of which cover all employees of the Conservancy who have met certain length of service, age and hour requirements. Employee deferral contributions to the defined contribution retirement plan are made on a tax-deferred basis pursuant to a salary reduction agreement, which can be terminated or modified at any time at the employee's request. The Conservancy automatically contributes an employer contribution of 3% of each employee's salary to the plans, regardless of the amount contributed by the employee. In addition, the Conservancy matches 100% up to the first 3% contributed by the employee. Pension expense was \$78,597 for the year ended August 31, 2016.

**10. INVESTMENT INCOME**

The following summarizes the Conservancy's investment return for the year ended August 31, 2016:

Investment income (interest and dividends)	\$ 4,310
Unrealized loss on endowment funds	<u>(59,281)</u>
Total investment income	<u>\$ (54,971)</u>

**11. COOPERATIVE AGREEMENT**

The Conservancy has an agreement with the National Park Service, Department of the Interior, which is effective through December 2016. Under this agreement, the Conservancy is required to manage and provide environmental education programs and related services while the National Park Service is required to provide financial support, space, staff and other assistance as needed. The Conservancy is also required to co-manage the VIP Program. The Conservancy received National Park Service program support of \$405,123 for the Conservancy's various programs under this agreement.

**CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016**

**12. COMMITMENTS**

The Conservancy entered into an agreement with an unrelated party to lease space to operate an educational gift shop. The ten year lease calls for monthly rental payments of \$2,550 per month for the first five years and \$2,627 per month for the remaining five years. The lease will expire on December 31, 2021 at which time certain renewal options are available. Rental expense for the year ended August 31, 2016 was \$31,216.

The Conservancy also has a facilities lease with the National Park Service to maintain and rent out certain National Park Service facilities to the public. The National Park Service charges the Conservancy a base rent of \$300 per month and 2% of the gross revenue from the rentals. Rental expense for the year ended August 31, 2016 was \$11,300.

The Conservancy also leases office equipment from an unrelated party. Total expense for the year ended August 31, 2016 was \$26,295.

The future minimum lease payments are as follows for the year ending August 31,

2017	\$ 49,081
2018	39,358
2019	38,963
2020	35,818
2021	31,524
Thereafter	<u>10,508</u>
Total	<u>\$ 205,252</u>

**13. TAX STATUS**

The Conservancy is a nonprofit corporation exempt from federal income taxes under the current provisions of the Internal Revenue Code, Section 501(c)(3).

The Conservancy has adopted guidance, as required by the Income Taxes Topic of the FASB Accounting Standards Codification regarding accounting for uncertainty in income taxes. This guidance clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Conservancy's income tax returns. As of August 31, 2016, the Conservancy has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Conservancy records related interest expenses and penalties, if any, as a tax expense, consistent with this guidance. The Conservancy's open audit periods are for the tax years ended August 31, 2013 through August 31, 2016. In evaluating the Conservancy's tax provisions and accruals, future taxable income, the reversal of temporary differences, interpretations, and tax planning strategies are considered. The Conservancy believes their estimates are appropriate based on the current facts and circumstances.



**CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016**

**14. FAIR VALUE MEASUREMENT**

The Financial Accounting Standards Board has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB guidance are described as follows:

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

Level 2      Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

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

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at August 31, 2016.

*Endowment funds* – Based on model-based valuation techniques for which all significant assumptions are unobservable in the market.

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

The following table sets forth by level, within the fair value hierarchy, the Conservancy's assets at fair value as of August 31, 2016.

**CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2016**

**14. FAIR VALUE MEASUREMENT (Continued)**

**Assets at Fair Value as of August 31, 2016**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Endowment funds	\$ -	\$ -	\$ 1,359,495	\$ 1,359,495

**Level 3 Assets Year Ended August 31, 2016**

	<u>Endowment Funds</u>
Balance, beginning of year	\$ 1,366,148
Contributions	114,355
Fund depreciation	(59,281)
Distributions	<u>(61,727)</u>
Balance, end of year	<u>\$ 1,359,495</u>

**15. CAPITAL CAMPAIGN**

The Conservancy has a capital campaign to build a new park visitor center using an existing historic structure. The Conservancy has an option to purchase the property that is to be renovated which is set to expire in 2017. The funds on hand for the project as of August 31, 2016 amounted to \$1,422,427. If sufficient funding for the project is not secured, unspent contributions previously raised will be returned to the donors. The Conservancy has also received pledges totaling approximately \$2,600,000 from donors, conditioned on the Board of Directors approving the project to move forward toward construction. Of this \$2,600,000, two donors have conditioned their pledges further. One donor will contribute \$500,000 when certain conditions regarding planning and design are met and another donor will contribute the final \$500,000 of the capital campaign. These pledges will not be recognized in the financial statements until the conditions are met.

The Conservancy records donations to the capital campaign as Visitor's Center deposits on the balance sheet until sufficient funds are raised or until the donor authorizes that the funds can be expended. At that time, the deposits will be transferred to temporarily restricted revenue and will be released as the project expenditures are incurred. During the year ended August 31, 2016, donors authorized the transfer of \$10,000 of the deposits to be used to extend the option to purchase the property.

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**16. CONTINGENCY**

The Conservancy is involved in a dispute with the Department of Labor (DOL) involving a prevailing wage determination relating to a former employee. The Conservancy is contesting the determination. It is not possible to determine the results of the DOL's investigation at this time as the issue is ongoing.

**17. PRIOR-YEAR SUMMARIZED INFORMATION**

The financial statements contain certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly such information should be read in conjunction with the Conservancy's financial statements for the year ended August 31, 2015, from which the summarized information was derived.

**18. PRIOR PERIOD RECLASSIFICATION**

The Conservancy received endowment contributions over the last several years that were previously thought to be permanently restricted. During the year ended August 31, 2016 the board of directors determined there was sufficient evidence to conclude the endowment contributions were temporarily restricted. This determination decreased permanently restricted net assets and increased temporarily restricted net assets in the statement of financial position at August 31, 2015 by \$357,990.

**19. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through December 19, 2016, which is the date the financial statements were available to be issued.