

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

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED AUGUST 31, 2018
(WITH COMPARATIVE TOTALS FOR AUGUST 31, 2017)

CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK
FINANCIAL STATEMENTS
AUGUST 31, 2018

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2018, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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, 2018, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Conservancy for Cuyahoga Valley National Park's August 31, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 18, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2018 on our consideration of Conservancy for Cuyahoga Valley National Park'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 Conservancy for Cuyahoga Valley National Park'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 Conservancy for Cuyahoga Valley National Park's internal control over financial reporting and compliance.

Card, Palmer, Sibbison & Co.

Cleveland, Ohio
December 28, 2018

FINANCIAL STATEMENTS

CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2018
(With Comparative Totals as of August 31, 2017)

	<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
ASSETS:			
Cash and cash equivalents, unrestricted	\$	444,851	\$ 261,975
Cash and cash equivalents, temporarily restricted		3,842,143	2,554,282
Accounts receivable, program, net of allowance for doubtful accounts		46,170	89,379
Accounts receivable, National Park Service		1,080,010	37,422
Pledges and grants receivable, temporarily restricted		508,371	1,220,499
Certificates of deposit, temporarily restricted		249,962	749,683
Investments		1,010,656	-
Endowment funds, temporarily restricted		1,739,600	1,589,287
Prepaid expenses and supplies		133,601	137,584
Property and equipment, net		<u>1,578,764</u>	<u>574,985</u>
TOTAL ASSETS		<u><u>\$ 10,634,128</u></u>	<u><u>\$7,215,096</u></u>
	<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:			
Accounts payable	\$	145,157	\$ 49,822
Accounts payable, National Park Service		39,663	34,903
Accrued expenses		98,394	86,071
Deferred revenue		38,031	47,676
Program deposits		265,274	230,020
Note payable		<u>70,000</u>	<u>70,000</u>
Total liabilities		<u>656,519</u>	<u>518,492</u>
NET ASSETS:			
Unrestricted		648,078	148,078
Temporarily restricted		<u>9,329,531</u>	<u>6,548,526</u>
Total net assets		<u>9,977,609</u>	<u>6,696,604</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 10,634,128</u></u>	<u><u>\$7,215,096</u></u>

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, 2018
(With Comparative Totals as of August 31, 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE AND SUPPORT:				
Environmental education:				
Program fees, net of scholarships of \$195,600 and \$180,477 in 2018 and 2017, respectively	\$ 453,847	\$ -	\$ 453,847	\$ 464,485
Community outreach	1,290,997	-	1,290,997	1,210,766
Contributions and grants:				
National Park Service program support	-	1,879,680	1,879,680	367,956
Special events	-	514,037	514,037	482,726
Environmental education programs	-	564,635	564,635	1,060,511
Memberships	802,913	-	802,913	824,171
Community outreach	41,370	62,493	103,863	72,847
Trails Forever	-	45,598	45,598	78,753
Capital projects	-	1,808,691	1,808,691	4,360,483
General operations	147,879	1,452,223	1,600,102	132,005
Investment income	20,386	112,462	132,848	164,302
Other income	18,192	-	18,192	21,048
Net assets released from restrictions	3,658,814	(3,658,814)	-	-
Total revenue, support and reclassifications	6,434,398	2,781,005	9,215,403	9,240,053
EXPENDITURES:				
Program services:				
Environmental education programs	1,143,515	-	1,143,515	1,030,115
Community outreach and park support	1,618,485	-	1,618,485	1,579,567
Capital projects	1,819,596	-	1,819,596	841,966
Total program services	4,581,596	-	4,581,596	3,451,648
Support services:				
Management and general	420,298	-	420,298	423,062
Fundraising	932,504	-	932,504	924,597
Total support services	1,352,802	-	1,352,802	1,347,659
Total expenditures	5,934,398	-	5,934,398	4,799,307
CHANGES IN NET ASSETS	500,000	2,781,005	3,281,005	4,440,746
NET ASSETS, BEGINNING OF YEAR	148,078	6,548,526	6,696,604	2,255,858
NET ASSETS, END OF YEAR	\$ 648,078	\$9,329,531	\$9,977,609	\$6,696,604

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, 2018
(With Comparative Totals as of August 31, 2017)

	2018							
	Program Services			Support Services				
	Environmental	Community		Management	Fundraising			
	Education	Outreach and	Capital	and	Special		2018	2017
	Programs	Park Support	Projects	General	Events	Development	Total	Total
Salaries and wages	\$ 654,955	\$ 695,861	\$ 73,778	\$ 134,549	\$ 37,005	\$ 376,771	\$ 1,972,919	\$ 1,933,966
Payroll taxes and benefits	148,600	172,716	11,203	47,453	6,256	79,036	465,264	441,397
Program supplies and merchandise	81,419	403,053	51	732	245,302	31,859	762,416	640,892
Food services and facility supplies	120,469	44,795	-	12,110	2,438	3,072	182,884	202,992
Contractor fees and services	25,788	78,925	178,266	31,579	40,560	26,362	381,480	224,912
Transportation services	46,730	199	-	-	-	-	46,929	45,084
Marketing	1,508	14,098	2,472	24,191	-	44,223	86,492	82,373
Office supplies, equipment, and support	7,321	7,756	-	66,989	-	518	82,584	104,792
Utilities, communications, and postage	6,475	54,155	138	18,514	-	22,851	102,133	88,344
Staff related expenses	33,831	4,756	-	34,345	-	5,531	78,463	67,150
Professional fees, dues, and subscriptions	3,036	29,282	3,000	35,469	-	10,720	81,507	107,335
Liability insurance	11,431	15,857	-	8,982	-	-	36,270	35,042
Rental expense	-	42,905	-	-	-	-	42,905	42,158
Donations and grants	-	10,000	1,550,688	3,050	-	-	1,563,738	735,926
Depreciation	1,952	41,028	-	1,321	-	-	44,301	43,247
Other expenses	-	3,099	-	1,014	-	-	4,113	3,697
Total functional expenses	<u>\$ 1,143,515</u>	<u>\$ 1,618,485</u>	<u>\$1,819,596</u>	<u>\$ 420,298</u>	<u>\$ 331,561</u>	<u>\$ 600,943</u>	<u>\$ 5,934,398</u>	<u>\$ 4,799,307</u>

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, 2018
(With Comparative Totals as of August 31, 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 3,281,005	\$4,440,746
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	44,301	43,247
Increase in allowance for doubtful accounts	1,200	799
Unrealized gain on investments	(9,463)	-
Unrealized gain on endowment funds	(112,462)	(160,778)
Unrealized (gain) loss on certificates of deposit	(6,089)	630
(Increase) decrease in operating assets:		
Accounts receivable, program	42,009	(35,036)
Accounts receivable, National Park Service	(1,042,588)	(37,422)
Pledges and grants receivable	712,128	(1,220,499)
Prepaid expenses and supplies	3,983	(3,379)
Increase (decrease) in operating liabilities:		
Accounts payable	95,335	(144,416)
Accounts payable, National Park Service	4,760	(15,779)
Accrued expenses	12,323	1,447
Deferred revenue	(9,645)	13,041
Program deposits	35,254	32,235
Visitor Center deposits	-	(1,422,427)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,052,051</u>	<u>1,492,409</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in temporarily restricted endowment funds	(113,791)	(134,643)
Net redemption of certificates of deposit	505,810	-
Purchase of investments	(1,001,193)	-
Capital expenditures	(1,048,080)	(393,847)
Distribution from endowment funds	75,940	65,629
NET CASH USED BY INVESTING ACTIVITIES	<u>(1,581,314)</u>	<u>(462,861)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,470,737	1,029,548
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,816,257</u>	<u>1,786,709</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,286,994</u>	<u>\$2,816,257</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	<u>\$ 2,107</u>	<u>\$ 2,107</u>

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

CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

1. NATURE OF OPERATIONS

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. The Conservancy's work has grown substantially over the years and now includes: 1) Operation of the Cuyahoga Valley Environmental Education Center ("CVEEC"), a residential campus for school age children located within the national park; 2) Raising funds to assist with projects not funded by the National Park Service yet desired by the community including the fundraising campaign for a new visitor center for Cuyahoga Valley National Park; 3) Programs and services to enhance the park visitor experience; 4) Marketing the park to increase public use and awareness; 5) Co-management of the park's award-winning "Volunteers-In-Parks" (VIP) program.

Cuyahoga Valley Environmental Education Center

Children are provided with overnight and day programs. During the school year, classes participate with their teachers in field trips and day or overnight experiences in the park. Students that attend overnight experiences can receive financial support from the Conservancy, which allows children from low-income homes to participate. The educational programs are curriculum based and supplement schools' core standards. Summer programs included day camps as well as summer academics and family oriented programs. A variety of short-term employment opportunities are offered to those wanting experience in teaching and working in a national park.

Community engagement

The Conservancy engages the community with the National Park in a variety ways. This past year thousands of people volunteered for the park through the park's volunteer program, which is co-managed by the Conservancy. The Conservancy also manages public use facilities for the park which allows people to hold meetings, family events, conferences and retreats in the park. The Conservancy offers support for special events including event planning and hosting, scheduling, catering and janitorial services. The park's cultural arts program is co-managed by the Conservancy and offers music, visual and theater arts experiences for the public tied to park themes. Two retail stores, located adjacent to the park, are managed by the Conservancy and they serve as welcome centers for park visitors as well as offer park related products, local arts tied to park themes, food and visitor convenience items.

CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

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 a certificate of deposit with an interest rate of 1.70% and maturity of four months from the statement of financial position date.

Pledges receivable

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

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.

CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Available for sale securities include equity investments that are reported at fair value. The Conservancy has developed an investment policy to ensure that the funds are effectively managed. The goals under the policy include seeking real growth after inflation, developing an operating reserve, and managing investment risk.

Investment income

Investment income, including realized and unrealized gains, is added to the appropriate unrestricted, temporarily restricted, or permanently restricted net assets.

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, 2018 was \$44,301.

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.

CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018 was \$86,492.

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, 2018, accounts receivable are stated net of an allowance for doubtful accounts of \$5,999. Bad debt expense amounted to \$1,014 for the year ended August 31, 2018.

New accounting pronouncements

The Financial Accounting Standards Board has recently issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, (Topic 842), ASU No. 2016-14, *Not-for-Profit Entities*, (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*, ASU 2016-18, *Statement of Cash Flows*, (Topic 230), *Restricted Cash*, and ASU No. 2016-10, *Revenue from Contracts with Customers*, (Topic 606), *Identifying Performance Obligations and Licensing*. The objective of these ASUs is to improve and clarify the current standards relating to an entity's liquidity, financial performance and cash flows. The ASUs are not yet effective, and therefore, have not yet been adopted. The Conservancy is currently evaluating the impact that the adoption of this guidance will have on its results of operation, financial position, and liquidity.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of August 31, 2018:

Projects in progress	\$ 1,398,789
Store buildings	363,052
Office equipment	215,107
Computer equipment	87,045
Leasehold improvements	3,892
Less accumulated depreciation	<u>(489,121)</u>
Property and equipment, net	<u>\$ 1,578,764</u>

CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

4. INVESTMENTS

Fair values, based on quoted market prices, are as follows:

<u>August 31, 2018</u>	<u>Fair Value</u>	<u>Accumulated Unrealized Appreciation</u>
Cash and cash equivalents	\$ 601,193	\$ -
Equity funds	409,463	9,463
	<u>\$1,010,656</u>	<u>\$ 9,463</u>

Investment returns are as follows:

<u>August 31, 2018</u>	<u>Unrestricted</u>
Dividends and interest on investments	\$ 1,536
Net unrealized gains on investments	9,463
Investment fees	(343)
Interest on cash and cash equivalents and certificates of deposit	9,730
	<u>\$ 20,386</u>

5. 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

CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

5. ENDOWMENT FUNDS (Continued)

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.

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, 2018 is as follows:

	<u>Temporarily Restricted</u>
Donor-restricted endowment funds	\$ <u>1,739,600</u>

Changes in endowment net assets as of August 31, 2018 are as follows:

	<u>Temporarily Restricted</u>
Endowment net assets, beginning of year	\$ 1,589,287
Contributions	113,791
Investment income, net \$19,777 of investment fees	112,462
Appropriated for expenditures	<u>(75,940)</u>
Endowment net assets, end of year	\$ <u>1,739,600</u>

6. 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, 2018 was \$70,000.

CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

7. 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, 2018:

Operating reserve	\$ 500,000
Photographic society	<u>5,425</u>
Total board-designated unrestricted net assets	<u>\$ 505,425</u>

8. 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, 2018:

Fundraising and projects	\$ 5,826,407
Trails Forever	1,372,252
Development and general operations	834,673
Environmental education	698,322
Environmental education program scholarships	567,312
Community outreach	<u>30,565</u>
	<u>\$ 9,329,531</u>

The Conservancy released net assets of \$3,658,814 from temporary restrictions during the year ended August 31, 2018 by incurring expenditures which satisfied their restricted purposes.

9. 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 11,800 hours for the year ended August 31, 2018.

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.

CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

10. 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 \$89,078 for the year ended August 31, 2018.

11. COOPERATIVE AGREEMENT

The Conservancy has an agreement with the National Park Service (NPS), Department of the Interior, which is effective through September 20, 2022. Under this agreement, the Conservancy is required to provide programs and projects that enhance public understanding and enjoyment of and involvement in Cuyahoga Valley National Park, manage assigned buildings in support of park programs, maintain food service and kitchen equipment, and work with NPS staff on various other projects while the National Park Service is required to provide financial support, space, maintenance, equipment, staff, and other assistance as needed. The Conservancy received National Park Service program support of \$288,536 for the Conservancy's various programs under this agreement during the year ended August 31, 2018.

The Conservancy has another agreement with the National Park Service, Department of the Interior, which is effective through September 30, 2019. This cooperative agreement is entered into for the purpose of full implementation of the indoor and outdoor exhibit space for the new Cuyahoga Valley National Park Visitor Center. The Conservancy received National Park Service program support of \$1,591,144 for the Visitor Center under this agreement.

12. OPERATING LEASES

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, 2018 was \$31,524.

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, 2018 was \$11,381.

The Conservancy also leases office equipment from an unrelated party. Total expense for the year ended August 31, 2018 was \$17,309.

CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

12. OPERATING LEASES (Continued)

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

2019	\$ 52,637
2020	49,129
2021	43,809
2022	15,355
2023	<u>1,616</u>
Total	<u>\$ 162,546</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, 2018, 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, 2015 through August 31, 2018. 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.

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.
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CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

14. FAIR VALUE MEASUREMENT (Continued)

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, 2018.

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

Equity funds – Equity funds consist of marketable equity securities of domestic and international corporations in a variety of industries that are valued based on quoted prices in active markets.

Cash and cash equivalents – Cash and cash equivalents consist of investments in money market accounts that are based on quoted prices in active markets.

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.

CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

14. FAIR VALUE MEASUREMENT (Continued)

The following table sets forth by level, within the fair value hierarchy, the Conservancy's assets at fair value as of August 31, 2018.

Assets at Fair Value as of August 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Endowment funds	\$ -	\$ -	\$ 1,739,600	\$ 1,739,600
Cash and cash equivalents	601,193	-	-	601,193
Equity funds	409,463	-	-	409,463
	<u>\$1,010,656</u>	<u>\$ -</u>	<u>\$ 1,739,600</u>	<u>\$ 2,750,256</u>

Level 3 Assets Year Ended August 31, 2018

	<u>Endowment Funds</u>
Balance, beginning of year	\$ 1,589,287
Contributions	113,791
Fund appreciation	112,462
Distributions	<u>(75,940)</u>
Balance, end of year	<u>\$ 1,739,600</u>

15. CAPITAL CAMPAIGN

The Conservancy had a capital campaign to raise funds to build a new park visitor center using an existing historic structure. The Conservancy had received a conditional pledge from a donor. The donor will contribute \$400,000 when certain conditions regarding planning and design are met. This pledge will not be recognized in the financial statements until the condition is met.

Expenditures incurred related to the planning, design, and construction of the Visitor's Center have been accumulated as Projects in Progress and are included in Property and equipment – net on the balance sheet. As of August 31, 2018, the Conservancy has capitalized approximately \$1,399,000 of costs paid to date as part of the project.

Upon successful completion of the project, which is expected to occur in 2019, the temporarily restricted contributions will be released from donor restrictions and the accumulated capitalized project costs will be donated to the National Park Service.

CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018

16. COMMITMENTS

The Conservancy has entered into agreements with unrelated contractors related to the design and construction of the Visitor's Center, as described in Note 15. The Conservancy is committed to pay the contractors approximately \$4,758,000 total to fulfill the terms of the contracts. To date, the Conservancy has paid approximately \$1,040,000 on these contracts. The Conservancy receives progress billings on these contracts as the work progresses.

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, 2017, from which the summarized information was derived.

18. RECLASSIFICATIONS

Certain items in the 2017 comparative information have been reclassified to conform to the current year presentation. Such reclassifications had no effect on the change in net assets.

19. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 28, 2018, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

**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**

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Conservancy for Cuyahoga Valley National Park, which comprise the statement of financial position as of August 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 28, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Card, Palmer, Sibbison & Co.

Cleveland, Ohio
December 28, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH *THE UNIFORM GUIDANCE***

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

Report on Compliance for Each Major Federal Program

We have audited Conservancy for Cuyahoga Valley National Park's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Conservancy for Cuyahoga Valley National Park's major federal programs for the year ended August 31, 2018. Conservancy for Cuyahoga Valley National Park's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Conservancy for Cuyahoga Valley National Park's compliance.

Opinion on Each Major Federal Program

In our opinion, Conservancy for Cuyahoga Valley National Park complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2018.

Report on Internal Control over Compliance

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

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

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

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

Card, Palmer, Sibbison & Co.

Cleveland, Ohio
December 28, 2018

CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

Federal Grantor/Pass-through Grantor/Program Title	Federal Catalog Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF INTERIOR, NATIONAL PARK SERVICE (NPS)			
National Park Centennial Challenge	15.406	n/a	\$ 590,582
National Park Service Conservation, Protection, Outreach and Education	15.954	n/a	401,196
		Ohio and Erie	
National Heritage Area Federal Financial Assistance	15.939	Canalway	50,000
Natural Resources Stewardship	15.944	n/a	<u>16,807</u>
TOTAL FEDERAL FUNDS EXPENDED			<u>\$ 1,058,585</u>

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Conservancy for Cuyahoga Valley National Park, and is presented using the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Uniform Guidance*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Conservancy for Cuyahoga Valley National Park has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

NOTE 3 – RELATIONSHIP OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO FINANCIAL STATEMENTS

The expenditures related to the centennial challenge have been included with construction in progress as they relate to the on-going construction of a visitor's center. The expenditures are included with property and equipment, net on the statement of financial position.

Included in expenditures for the National Park Service Conservation, Protection, Outreach and Education contract is an estimate of \$150,000 for the free rent of National Park Service facilities as part of the contract. The fair market value of the rent has not been provided by the National Park Service. Therefore, the Conservancy estimated this amount based on the facts and circumstances available at the time. Due to the uncertainty of this estimate, the value of the free rent has not been included in the financial statements.

Expenditures reported on the Schedule agree to amounts reported within the Conservancy for Cuyahoga Valley National Park financial statements, with the exception of the value of free rent, as disclosed above.

NOTE 4 – PASS-THROUGH AWARDS

Conservancy for Cuyahoga Valley National Park receives federal awards from pass-through agencies. The total amount of such pass-through awards is included on the Schedule.

CONSERVANCY FOR CUYAHOGA VALLEY NATIONAL PARK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiencies identified? yes X no

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes X no
- Significant deficiencies identified? yes X no

Type of auditor’s report issued on compliance for major federal programs:
unmodified

Any audit findings disclosed that are required to
be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major programs:
15.406 National Park Centennial Challenge

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

Auditee qualified as low-risk auditee? yes X no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None