
NORTH OLYMPIC LAND TRUST
A Washington Not For Profit Organization

Board & Management Communication

For the Year Ended
December 31, 2018

Aiken & Sanders, Inc PS

CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

To the Board of Directors
Capitol Land Trust
Lacey, WA

We have audited the financial statements of Capitol Land Trust (The Trust) for the year ended December 31, 2018, and have issued our report thereon dated July 24, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We communicated such information to you in our engagement letter dated December 31, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by The Trust are described in Note A to the financial statements. The Trust adopted accounting standards update 2016-14 during 2018. This change is described in Note C to the financial statements. With the exception of ASU 2016-14, no new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2018. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the functional allocation of expenses.

Management's estimate of the functional allocation of expense is based on relative benefits provided to specific programs and activities. We evaluated the key factors and assumptions used to develop the functional allocations in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has posted those adjustments to the financial records.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 24, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Organization’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

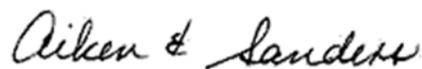
Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

This information is intended solely for the use of the Board of Directors and management of The Trust and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Aiken & Sanders, Inc., PS
Certified Public Accountants
& Management Consultants

July 24, 2019

To the Board of Directors
North Olympic Land Trust
Port Angeles, WA 98362

In planning and performing our audit of the financial statements of North Olympic Land Trust (The Trust) as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered The Trust's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of The Trust's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be either a material weakness or significant deficiency.

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 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. We consider the following deficiency in The Trust's internal control to be a material weakness:

Property acquired during the year via donation was recorded as an asset at estimated fair value but corresponding contribution revenue was not recorded in The Trust accounting records. This omission resulted in a material misstatement of donation revenue. We recommend that The Trust put in place a process to review all acquisition activity and make sure that all property additions are identified and recorded as both asset and revenue when donated.

This information is intended solely for the use of the Board of Directors and management of The Trust and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Aiken & Sanders

Aiken & Sanders Inc. P.S.
Certified Public Accountants
& Management Consultants

July 24, 2019

NORTH OLYMPIC LAND TRUST
A Washington Not For Profit Organization

Financial Statements

For the Years Ended December 31, 2018 and 2017

Aiken & Sanders, Inc PS

CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

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Independent Auditor's Report

To the Board of Directors
North Olympic Land Trust
Port Angeles, WA

Report on the Financial Statements

We have audited the accompanying financial statements of North Olympic Land Trust (the Trust), which comprise the statement of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

An audit 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 the Trust, as of December 31, 2018 and 2017, and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Aiken & Sanders

Aiken & Sanders, Inc., PS
Certified Public Accountants
& Management Consultants

July 24, 2019

North Olympic Land Trust
A Washington Not For Profit Organization

Statement of Financial Position
As of December 31, 2018 and December 31, 2017

Assets	<u>2018</u>	<u>2017</u>
Current Assets:		
Cash and cash equivalents	\$ 281,082	\$ 237,729
Grants receivable	4,732	-
Accounts receivable	29	-
Pledges receivable	33,000	-
Prepaid expenses	2,970	2,727
Deposits and advances	500	500
Total Current Assets	<u>322,313</u>	<u>240,956</u>
 Fixed Assets:		
Vehicles	4,348	4,348
Land	6,147,541	5,390,341
Easements	77	77
	<u>6,151,966</u>	<u>5,394,766</u>
Less: accumulated depreciation	(2,464)	(1,594)
Fixed assets, net	<u>6,149,502</u>	<u>5,393,172</u>
 Other Assets:		
Investments	<u>1,064,514</u>	<u>1,120,355</u>
Total Other Assets	<u>1,064,514</u>	<u>1,120,355</u>
Total Assets	<u>\$ 7,536,329</u>	<u>\$ 6,754,483</u>

The accompanying notes are an integral part of these financial statements

North Olympic Land Trust
A Washington Not For Profit Organization

Statement of Financial Position
As of December 31, 2018 and December 31, 2017

	2018	2017
Liabilities & Net Assets		
Current Liabilities:		
Accounts payable	\$ 8,945	\$ 5,422
Vacation payable	9,549	10,869
Payroll taxes and benefits payable	491	627
Total Current Liabilities	18,985	16,918
Long-Term Liabilities:		
Total Long-Term Liabilities	-	-
Net Assets:		
Without donor restriction:		
Unrestricted-undesignated	373,319	359,936
Sustainable agriculture fund-board designated	-	30,514
Acquisition fund-board designated	106,802	98,450
Stewardship fund-board designated	74,579	61,514
Operating reserve fund-board designated	240,811	228,015
	795,511	778,429
With donor restrictions	6,721,833	5,959,136
Total Net Assets	7,517,344	6,737,565
Total Liabilities & Net Assets	\$ 7,536,329	\$ 6,754,483

The accompanying notes are an integral part of these financial statements

North Olympic Land Trust
A Washington Not For Profit Organization

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2018

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total 2018</u>
Support and Revenues:			
Grants	\$ 26,424	\$ -	\$ 26,424
Contributions	248,538	103,300	351,838
Fundraising-net of \$7,869 in direct benefits to donors	81,513	-	81,513
Fee for service and earned income	2,222	-	2,222
Interest and dividend income	24,972	-	24,972
Inkind donations	29,848	765,000	794,848
Other revenue	223	10,765	10,988
Investment income (loss)	(17,073)	(36,550)	(53,623)
Gain (loss) on sale of assets	32,204	-	32,204
Net assets released from restriction	79,818	(79,818)	-
Total Support and Revenue	<u>508,689</u>	<u>762,697</u>	<u>1,271,386</u>
Expenses:			
Program services	220,792	-	220,792
Management and general	173,676	-	173,676
Fundraising	97,139	-	97,139
Total Expenses	<u>491,607</u>	<u>-</u>	<u>491,607</u>
Change in Net Assets	17,082	762,697	779,779
Net Assets, Beginning of Year	<u>778,429</u>	<u>5,959,136</u>	<u>6,737,565</u>
Net Assets, End of Year	<u>\$ 795,511</u>	<u>\$ 6,721,833</u>	<u>\$ 7,517,344</u>

The accompanying notes are an integral part of these financial statements

North Olympic Land Trust
A Washington Not For Profit Organization

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total 2017</u>
Support and Revenues:			
Grants	\$ 314,008	\$ -	\$ 314,008
Contributions	210,322	29,294	239,616
Fundraising-net of \$8,769 in direct benefits to donors	68,932	-	68,932
Fee for service and earned income	75	-	75
Interest and dividend income	4,181	14,747	18,928
Inkind donations	246,480	-	246,480
Other revenue	710	-	710
Investment income (loss)	28,602	100,859	129,461
Gain (loss) on sale of assets	(62,177)	-	(62,177)
Net assets released from restriction	<u>213,272</u>	<u>(213,272)</u>	<u>-</u>
Total Support and Revenue	<u>1,024,405</u>	<u>(68,372)</u>	<u>956,033</u>
Expenses:			
Program services	670,187	-	670,187
Management and general	179,256	-	179,256
Fundraising	<u>52,218</u>	<u>-</u>	<u>52,218</u>
Total Expenses	<u>901,661</u>	<u>-</u>	<u>901,661</u>
Change in Net Assets	122,744	(68,372)	54,372
Net Assets, Beginning of Year	<u>655,685</u>	<u>6,027,508</u>	<u>6,683,193</u>
Net Assets, End of Year	<u>\$ 778,429</u>	<u>\$ 5,959,136</u>	<u>\$ 6,737,565</u>

The accompanying notes are an integral part of these financial statements

North Olympic Land Trust
A Washington Not For Profit Organization

Statement of Functional Expenses
For the Year Ended December 31, 2018

	<u>Program</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total 2018</u>
Salaries and wages	\$ 136,163	\$ 88,246	\$ 75,076	\$ 299,485
Employee benefits	14,547	7,185	7,272	29,004
Payroll taxes	10,715	4,084	5,400	20,199
Occupancy	-	12,741	-	12,741
Insurance	4,284	6,405	-	10,689
Supplies	4,823	3,828	542	9,193
Printing and publications	3,536	632	3,861	8,029
Licenses and taxes	3,080	-	-	3,080
Professional services	32,965	8,050	146	41,161
Information technology	43	10,742	-	10,785
Conferences, meetings, and events	313	706	75	1,094
Travel, mileage, and meals	5,105	1,674	600	7,379
Dues and subscriptions	210	3,832	66	4,108
Bank and credit card charges	-	261	2,529	2,790
Miscellaneous expense	95	520	537	1,152
Depreciation expense	870	-	-	870
Inkind expense	4,043	24,770	1,035	29,848
Total Expenses	<u>\$ 220,792</u>	<u>\$ 173,676</u>	<u>\$ 97,139</u>	<u>\$ 491,607</u>

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

North Olympic Land Trust
A Washington Not For Profit Organization

Statement of Functional Expenses
For the Year Ended December 31, 2017

	<u>Program</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total 2017</u>
Salaries and wages	\$ 113,711	\$ 72,752	\$ 36,232	\$ 222,695
Employee benefits	11,972	7,660	3,815	23,447
Payroll taxes	8,661	5,794	2,739	17,194
Occupancy	-	16,036	-	16,036
Insurance	4,473	6,068	-	10,541
Supplies	5,048	3,394	416	8,858
Printing and publications	3,335	1,051	2,630	7,016
Licenses and taxes	2,567	-	-	2,567
Professional services	28,357	22,911	-	51,268
Information technology	-	6,825	-	6,825
Easement acquisition expense	479,999	-	-	479,999
Conferences, meetings, and events	366	2,126	-	2,492
Travel, mileage, and meals	6,162	1,238	191	7,591
Dues and subscriptions	300	3,648	-	3,948
Bank and credit card charges	-	176	2,558	2,734
Miscellaneous expense	234	3,148	518	3,900
Depreciation expense	870	-	-	870
Inkind expense	4,132	26,429	3,119	33,680
Total Expenses	<u>\$ 670,187</u>	<u>\$ 179,256</u>	<u>\$ 52,218</u>	<u>\$ 901,661</u>

The accompanying notes are an integral part of these financial statements

North Olympic Land Trust
A Washington Not For Profit Organization

Statement of Cash Flows
For the Years Ended December 31, 2018 and December 31, 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from grantors, donors and customers	\$ 443,093	\$ 644,394
Cash paid to suppliers and employees	(466,934)	(802,683)
Cash received from interest and dividends	<u>24,972</u>	<u>18,928</u>
Net cash provided (used) by operating activities	<u>1,131</u>	<u>(139,361)</u>
Cash flows from investing activities:		
Cash paid for equipment and improvements	-	-
Cash paid for investments	(182,754)	(245,000)
Cash received from land sales	40,004	91,541
Cash received from sale of investments	<u>184,972</u>	<u>252,910</u>
Net cash provided (used) by investing activities	<u>42,222</u>	<u>99,451</u>
Cash flows from financing activities:		
Net cash provided (used) by financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash & cash equivalents	43,353	(39,910)
Cash & cash equivalents at beginning of year	<u>237,729</u>	<u>277,639</u>
Cash & cash equivalents at end of year	<u>\$ 281,082</u>	<u>\$ 237,729</u>

The accompanying notes are an integral part of these financial statements

North Olympic Land Trust
A Washington Not For Profit Organization

Statement of Cash Flows
For the Years Ended December 31, 2018 and December 31, 2017

	2018	2017
Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities:		
Increase (decrease) in net assets:	\$ 779,779	\$ 54,372
Adjustments:		
Depreciation and amortization	870	870
Capitalized inkind donations	(765,000)	(142,801)
Loss (gain) on disposition of assets	(32,204)	62,177
Unrealized (gains) losses on investments	90,027	(55,057)
Realized (gains) losses on investments	(36,404)	(74,404)
Changes in assets and liabilities:		
(Increase) decrease in grants receivable	(4,732)	4,594
(Increase) decrease in accounts receivable	(29)	2,575
(Increase) decrease in pledges receivable	(33,000)	5,115
(Increase) decrease in prepaid expense	(243)	4,156
Increase (decrease) in accounts payable	3,523	3,027
Increase (decrease) in vacation payable	(1,320)	(40)
Increase (decrease) in payroll taxes and benefits payable	(136)	(3,945)
Net cash provided (used) by operating activities	\$ 1,131	\$ (139,361)

The accompanying notes are an integral part of these financial statements

North Olympic Land Trust
A Washington Not For Profit Organization

Notes to Financial Statements

December 31, 2018 and 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization, purpose and principal programs

The mission of the North Olympic Land Trust (The Trust) is to preserve land and wildlife habitat. The Trust receives conservation easements on various properties and receives grant funds for landowner education, easement purchases, property acquisitions, and general operations. The Trust has voluntarily adopted and implemented the Land Trust Standards and Practices as promulgated by the Land Trust Alliance (a National Land Trust Organization).

The Trust receives a substantial amount of its annual support in the form of government grants. In the event one or more of the government programs from which the grants are received were to end or experience significant budget cuts, The Trust could experience a significant loss of support.

Basis of accounting

The Trust's policy is to prepare its financial statements on the accrual basis of accounting. Revenue is recognized when earned, and expenditures are recognized when incurred.

Financial Statement Presentation

The Trust follows accounting prescribed by the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958 Not-for Profit Entities. Under ASC 958, The Trust is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions, and without donor restrictions.

With Donor Restrictions: Net assets that result from contributions whose use by The Trust is restricted by donor imposed stipulations that may expire with the passage of time or can be fulfilled or otherwise removed by actions of The Trust.

Without Donor Restrictions: Net assets that are not restricted by donor stipulation.

Gifts of goods and equipment are reported as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of land are reported as donor restricted if The Trust intends to protect the land in perpetuity. Gifts of land, which the donor stipulates may be sold, are reported as without donor restriction.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

North Olympic Land Trust
A Washington Not For Profit Organization

Notes to Financial Statements

December 31, 2018 and 2017

Property and equipment

Property and equipment are recorded at cost. Property and equipment donated to The Trust are capitalized at their estimated fair market value. Depreciation is provided using the straight-line method. Maintenance and repairs are charged to expense as incurred; major renewals and improvements are capitalized. When items of equipment are sold or are otherwise disposed of, the appropriate cost and related accumulated depreciation amounts are removed from the accounts and any gain or loss is included in income.

Management has elected to capitalize only equipment purchases in excess of \$5,000.

Functional Allocation of Expenses

The Trust records its expenses by function. Program expenses represent expenses incurred to fulfill The Trust's exempt purposes. Management and general expenses support that exempt purpose while fundraising expenses are incurred to raise resources to carry out program activities. Expenses are recorded, when appropriate, to the function receiving direct benefit. When expenses benefit more than one function, an allocation is made based on relative benefits provided to each function.

Advertising

The Trust's policy is to expense advertising costs as they are incurred.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, The Trust considers cash, checking, and money market accounts to be cash and cash equivalents.

Revenue Recognition

All contributions are considered available for The Trust's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as having donor restrictions and increase net assets with donor restrictions. Contributions received with restrictions that are met in the same reporting period are reported as unrestricted support and increase net assets without donor restrictions. Investment income that is limited to specific uses by donor restrictions is reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the income is recognized.

B. ECONOMIC DEPENDENCY:

For 2018 and 2017, grant funding was primarily provided by the State of Washington Recreation and Conservation Office and Washington State Conservation Commission.

North Olympic Land Trust
A Washington Not For Profit Organization

Notes to Financial Statements

December 31, 2018 and 2017

C. NEW ACCOUNTING PRONOUNCEMENT:

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958)–Presentation of Financial Statements of Not-for-Profit Entities. The Trust has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to 2017. The new standards change the following aspects of The Trust's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources.

The changes have the following effect on net assets at December 31, 2017:

Net Asset Classes:	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 778,429	\$ -
Temporarily restricted net assets	917,216	-
Permanently restricted net assets	5,041,920	-
Without donor restrictions	-	778,429
With donor restrictions	-	<u>5,959,136</u>
 Total	 <u>\$ 6,737,565</u>	 <u>\$ 6,737,565</u>

D. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The Trust, although it expects to receive current support to fund operations for 2019 and later years, has \$49,722 and \$56,116 of financial assets available within one year of the statement of financial position dates on December 31, 2018 and 2017, respectively, to meet cash needs for general operating expenditures of The Trust. The Trust also has \$422,192 and \$387,979, of board designated assets as of December 31, 2018 and 2017, respectively, that can be reallocated for general expenditures if needed. Financial assets available within one year consist of the following:

North Olympic Land Trust
A Washington Not For Profit Organization

Notes to Financial Statements

December 31, 2018 and 2017

	2018	2017
Financial assets at year end:	\$ 1,386,827	\$ 1,361,311
Donor restricted to purpose	(914,913)	(917,216)
Board designations	<u>(422,192)</u>	<u>(387,979)</u>
Financial assets available to meet cash needs within one year.	\$ <u>49,722</u>	\$ <u>56,116</u>

E. NET ASSETS COMPOSITION:

	2018	2017
Without Donor Restrictions:		
Undesignated	\$ 373,319	\$ 359,936
Sustainable agriculture fund-board designated	-	30,514
Acquisition fund-board designated	106,802	98,450
Stewardship fund-board designated	74,579	61,514
Operating reserve fund-board designated	<u>240,811</u>	<u>228,015</u>
	795,511	778,429
With Donor Restrictions:		
Stewardship fund-donor restricted	707,286	757,179
Sustainable agriculture fund-donor restricted	207,557	160,037
Opportunity fund-donor restricted	70	-
Conserved land	<u>5,806,920</u>	<u>5,041,920</u>
	6,721,833	5,959,136
Total	\$ <u>7,517,344</u>	\$ <u>6,737,565</u>

The Trust board has designated funds for the following specific purposes:

Sustainable Agriculture Fund: Board Designated for supporting and sustaining agriculture.

Acquisition Fund: Board Designated to provide landowners with assistance during property and easement acquisitions and to aid in acquisitions.

North Olympic Land Trust
A Washington Not For Profit Organization

Notes to Financial Statements

December 31, 2018 and 2017

Stewardship Fund: Board Designated for stewardship activities.

Operating Reserve Fund: Board Designated as an operating reserve.

The Trust has received donor restricted funds with the following restrictions:

Stewardship Fund: Donor restricted for stewardship activities.

Sustainable Agriculture Fund: Donor restricted for supporting and sustaining agriculture.

Acquisition Fund: Donor restricted to provide landowners with assistance during property and easement acquisitions and to aid in acquisitions.

Conserved Land: Land to be conserved in perpetuity.

F. LEASES:

The Trust conducts its operations from leased facilities. The office lease expense for the years ended December 31, 2018 and 2017 was \$10,920 and \$10,080, respectively. The Trust relocated to a new space during July of 2016 and signed a twenty four (24) month lease agreement. The lease was extended during 2018 until July 30, 2021. The fair market value of the premises is estimated to be \$2,875 per month. The Trust is required to pay a total of \$950 a month. The difference of \$2,035 a month has been recorded as inkind revenue and expense for 2018 and 2017. Future minimum rents due under currently executed leases are as follows:

2019	\$	11,400
2020		11,400
2021		<u>6,650</u>
Total	\$	<u>29,450</u>

North Olympic Land Trust
A Washington Not For Profit Organization

Notes to Financial Statements

December 31, 2018 and 2017

G. INVESTMENTS & FAIR VALUE MEASUREMENTS:

The investments in mutual funds and common stock are accounted for at fair value. As of December 31, 2018 and 2017, the investments had a cost basis of \$748,793 and \$751,011 and a fair value of \$1,064,514 and \$1,120,355, respectively. Investment income on the statement of activities and changes in net assets is the following:

	2018	2017
Unrealized Gain (Loss)	\$ (90,027)	\$ 55,057
Realized Gain (Loss)	<u>36,404</u>	<u>74,404</u>
Total	\$ (53,623)	\$ 129,461

The Trust adopted Accounting Standards Codification 958 as of January 1, 2009. ASC 958, Fair Value Measurements, establishes 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 ASC 958 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 Trust has the ability to access.

Level 2: Inputs to 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 other than quoted prices that are observable for the asset or liability.

Inputs that are principally from or corroborated by observable market data by correlation or other means.

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 any 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.

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Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018.

Mutual funds: Valued at the net asset value (NAV) of shares held by The Trust at year end.

Common Stock: Quoted market prices on public exchanges.

Certificates of Deposit: Original cost with market adjustment based on current rates.

The preceding methods 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 Trust 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 table sets forth by level, within the fair value hierarchy, The Trust's assets at fair value as of December 31, 2018:

Assets at Fair Value as of December 31, 2018				
	Level 1	Level 2	Level 3	Total
Mutal Funds	\$ 870,118	\$ -	\$ -	\$ 870,118
Certificates of Deposit	-	194,396	-	194,396
Total Assets at Fair Value:	\$ 870,118	\$ 194,396	\$ -	\$ 1,064,514

The following table sets forth by level, within the fair value hierarchy, The Trust's assets at fair value as of December 31, 2017:

Assets at Fair Value as of December 31, 2017				
	Level 1	Level 2	Level 3	Total
Mutal Funds	\$ 905,767	\$ -	\$ -	\$ 905,767
Certificates of Deposit	-	214,588	-	214,588
Total Assets at Fair Value:	\$ 905,767	\$ 214,588	\$ -	\$ 1,120,355

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H. GRANTS AND ACCOUNTS RECEIVABLE:

Grants and accounts receivable are recorded to the extent of qualifying grant expenditures made during the current year that are to be reimbursed after year end.

Historically, bad debts have been immaterial. The Trust uses the direct write-off method, which is not in accordance with generally accepted accounting principles. When an amount becomes uncollectible, it is charged to expense in the year it is deemed to be uncollectible. During 2018 and 2017, respectively, there were bad debts of \$0. As of December 31, 2018, management considers all grant and accounts receivable collectable.

Management considers accounts outstanding over 90 days to be past due. No interest is charged on past due receivables. As of December 31, 2018, there were no receivable balances past due.

I. CONTINGENCIES:

Amounts received or receivable from federal and state government agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of The Trust if so determined in the future. It is management's belief that no material amounts received or receivable will be required to be returned in the future.

J. INKIND REVENUE:

During 2018 and 2017, The Trust received property donations with a fair market value of \$765,000 and \$142,800, respectively. These donations were recorded as inkind revenue and capitalized as land on the statement of financial position. During 2017, The Trust received donated easements with a fair market value of \$70,000. These donations were recorded as inkind revenue and, along with purchased easements, easement acquisition expense in the statement of activities and changes in net assets and the statement of functional expenses, respectively. The Trust also received inkind donations of professional services, space, and goods during 2018 and 2017. These donations have been recorded both as inkind revenue and expense in the financial statements.

K. INCOME TAX & UNCERTAIN TAX POSITION:

The Trust is a tax exempt non-profit organization under the Internal Revenue Code Section 501(c)(3) and is not classified as a private foundation. Accordingly, the financial statements do not include any provision for income taxes.

The Trust files income tax returns in the U.S. federal jurisdiction. The Trust is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2015.

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Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

The Trust adopted the provisions of FASB ASC 740-10, Accounting for Uncertainty in Income Taxes, on January 1, 2009. As of December 31, 2018, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

L. SUBSEQUENT EVENTS:

No events have occurred through July 24, 2019, which is the date the financial statements were available to be issued, based on client facts and circumstances, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2018.

M. PLEDGES RECEIVABLE:

The Trust received contribution pledges from various donors during 2018. The pledges are to be collected in 2019. No allowance for uncollectible pledges has been recorded as pledges are expected to be collected as scheduled.

N. EASEMENTS:

The Trust holds a number of conservation easements. The Trust has determined that these easements have no measurable value as they include no affirmative rights and require The Trust to monitor and defend the easements on an ongoing basis. This practice is in line with the approach advocated by the Land Trust Alliance. A nominal value of \$1 per easement has been recorded in the financial records for 2018 and 2017.

O. VACATION LIABILITY:

The Trust provides for vacation benefits in accordance with current policy. As of December 31, 2018 and 2017, respectively, the vacation benefit liability was \$9,549 and \$10,869.

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P. CONCENTRATIONS OF CREDIT RISK:

The Trust, at times, maintains investment balances that exceed insurance coverage amounts provided by the Securities Investor Protection Corporation. The SIPC provides a maximum of \$500,000 coverage per institution, with a limit of \$250,000 for cash balances. Although the Trust keeps cash balances below insured levels, investment balances at times exceed insurance limits. Management does not believe The Trust is subject to significant risk as a result of these excess balances.