
NORTH OLYMPIC LAND TRUST
A Washington Not For Profit Organization

Board & Management Communication

For the Year Ended
December 31, 2016

Aiken & Sanders, Inc PS

CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

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

We have audited the financial statements of North Olympic Land Trust (The Trust) for the year ended December 31, 2016, and have issued our report thereon dated April 17, 2017. 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 January 30, 2017. 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. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2016. 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 corrected all such misstatements. In addition, none of the proposed adjustments were material to the financial statements.

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 April 17, 2017.

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

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

April 17, 2017

NORTH OLYMPIC LAND TRUST
A Washington Not For Profit Organization

Financial Statements

For the Years Ended December 31, 2016 and 2015

Aiken & Sanders, Inc PS

CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

TABLE OF CONTENTS

Independent Auditor's Report.....	1
Financial Statements:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets-2016.....	5
Statement of Activities and Changes in Net Assets-2015.....	6
Statement of Functional Expenses-2016.....	7
Statement of Functional Expenses-2015	8
Statement of Cash Flows.....	9
Notes to the Financial Statements	11

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, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Prior Period Financial Statements

The 2015 financial statements were reviewed by us and our report thereon, dated April 30, 2016, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

A handwritten signature in cursive script that reads "Aiken & Sanders".

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

April 17, 2017

North Olympic Land Trust
A Washington Not For Profit Organization

Statement of Financial Position
As of December 31, 2016 and December 31, 2015

Assets	<u>2016 (Audited)</u>	<u>2015 (Reviewed)</u>
Current Assets:		
Cash and cash equivalents	\$ 277,639	\$ 170,284
Grants receivable	4,594	38,125
Accounts receivable	2,575	-
Pledges receivable	5,115	3,800
Prepaid expenses	6,883	-
Deposits and advances	500	500
Total Current Assets	297,306	212,709
 Fixed Assets:		
Vehicles	4,348	-
Land	5,401,441	5,339,275
Easements	76	-
	5,405,865	5,339,275
Less: accumulated depreciation	(725)	-
Fixed assets, net	5,405,140	5,339,275
 Other Assets:		
Investments	998,623	1,025,602
Total Other Assets	998,623	1,025,602
Total Assets	\$ 6,701,069	\$ 6,577,586

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, 2016 and December 31, 2015

Liabilities & Net Assets		
	2016 (Audited)	2015 (Reviewed)
Current Liabilities:		
Accounts payable	\$ 2,395	\$ 19,750
Deferred revenue	-	11,500
Vacation payable	10,909	9,331
Payroll taxes and benefits payable	4,572	2,907
Total Current Liabilities	17,876	43,488
Long-Term Liabilities:		
Total Long-Term Liabilities	-	-
Net Assets:		
Unrestricted		
Unrestricted-undesignated	363,056	359,503
Opportunity fund-board designated	59,333	59,877
Stewardship fund-board designated	31,000	31,000
Operations fund-board designated	202,296	192,096
	655,685	642,476
Temporarily restricted	985,588	911,944
Permanently restricted	5,041,920	4,979,678
Total Net Assets	6,683,193	6,534,098
Total Liabilities & Net Assets	\$ 6,701,069	\$ 6,577,586

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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2016 (Audited)</u>
Support and Revenues:				
Grants	\$ 129,625	\$ -	\$ 62,166	\$ 191,791
Contributions	160,481	75,230	76	235,787
Fundraising-net of \$8,347 in direct benefits to donors	62,631	-	-	62,631
Fee for service and earned income	4,922	-	-	4,922
Interest and dividend income	2,743	16,626	-	19,369
Inkind donations	197,863	-	-	197,863
Other revenue	2,138	-	-	2,138
Investment income (loss)	9,263	56,133	-	65,396
Net assets released from restriction	74,345	(74,345)	-	-
Total Support and Revenue	<u>644,011</u>	<u>73,644</u>	<u>62,242</u>	<u>779,897</u>
Expenses:				
Program services	438,357	-	-	438,357
Management and general	149,271	-	-	149,271
Fundraising	43,174	-	-	43,174
Total Expenses	<u>630,802</u>	<u>-</u>	<u>-</u>	<u>630,802</u>
Change in Net Assets	13,209	73,644	62,242	149,095
Net Assets, Beginning of Year	<u>642,476</u>	<u>911,944</u>	<u>4,979,678</u>	<u>6,534,098</u>
Net Assets, End of Year	<u>\$ 655,685</u>	<u>\$ 985,588</u>	<u>\$ 5,041,920</u>	<u>\$ 6,683,193</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, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2015 (Reviewed)</u>
Support and Revenues:				
Grants	\$ 139,285	\$ -	\$ -	\$ 139,285
Contributions	68,581	89,220	-	157,801
Fundraising-net of \$11,398 in direct benefits to donors	55,219	-	-	55,219
Fee for service and earned income	13,704	-	-	13,704
Interest and dividend income	1,714	-	-	1,714
Inkind donations	453,579	-	-	453,579
Other revenue	2,334	-	-	2,334
Investment income (loss)	(1,951)	6,133	-	4,182
Net assets released from restriction	<u>141,951</u>	<u>(141,951)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>874,416</u>	<u>(46,598)</u>	<u>-</u>	<u>827,818</u>
Expenses:				
Program services	648,824	-	-	648,824
Management and general	154,100	-	-	154,100
Fundraising	<u>31,719</u>	<u>-</u>	<u>-</u>	<u>31,719</u>
Total Expenses	<u>834,643</u>	<u>-</u>	<u>-</u>	<u>834,643</u>
Change in Net Assets	39,773	(46,598)	-	(6,825)
Net Assets, Beginning of Year	<u>602,703</u>	<u>958,542</u>	<u>4,979,678</u>	<u>6,540,923</u>
Net Assets, End of Year	<u>\$ 642,476</u>	<u>\$ 911,944</u>	<u>\$ 4,979,678</u>	<u>\$ 6,534,098</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, 2016

	<u>Program</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total 2016 (Audited)</u>
Salaries and wages	\$ 103,718	\$ 79,586	\$ 30,588	\$ 213,892
Employee benefits	3,710	2,939	1,094	7,743
Payroll taxes	9,099	5,647	2,633	17,379
Occupancy	-	11,120	-	11,120
Insurance	4,132	4,365	-	8,497
Supplies	4,850	5,897	475	11,222
Printing and publications	3,301	504	4,376	8,181
Licenses and taxes	5,277	71	-	5,348
Professional services	106,398	8,120	723	115,241
Information technology	30	2,402	-	2,432
Easement acquisition expense	183,235	-	-	183,235
Conferences, meetings, and events	5,382	1,255	75	6,712
Travel, mileage, and meals	4,331	1,671	220	6,222
Dues and subscriptions	-	10,334	-	10,334
Bank and credit card charges	308	462	2,205	2,975
Miscellaneous expense	1,354	3,407	155	4,916
Depreciation expense	725	-	-	725
Inkind expense	2,507	11,491	630	14,628
Total Expenses	<u>\$ 438,357</u>	<u>\$ 149,271</u>	<u>\$ 43,174</u>	<u>\$ 630,802</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, 2015

	<u>Program</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total 2015 (Reviewed)</u>
Salaries and wages	\$ 82,456	\$ 100,030	\$ 17,353	\$ 199,839
Employee benefits	-	4,805	-	4,805
Payroll taxes	7,188	8,074	1,481	16,743
Occupancy	48	12,961	-	13,009
Insurance	4,056	6,870	-	10,926
Supplies	61,321	196	780	62,297
Printing and publications	5,320	-	1,654	6,974
Licenses and taxes	3,764	-	-	3,764
Professional services	58,225	12,913	6,974	78,112
Information technology	492	1,819	-	2,311
Easement acquisition expense	400,000	-	-	400,000
Conferences, meetings, and events	7,220	200	-	7,420
Travel, mileage, and meals	4,946	2,238	534	7,718
Dues and subscriptions	100	3,530	-	3,630
Bank and credit card charges	-	363	1,303	1,666
Miscellaneous expense	2,622	1	617	3,240
Inkind expense	11,066	100	1,023	12,189
Total Expenses	<u>\$ 648,824</u>	<u>\$ 154,100</u>	<u>\$ 31,719</u>	<u>\$ 834,643</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, 2016 and December 31, 2015

	<u>2016 (Audited)</u>	<u>2015 (Reviewed)</u>
Cash flows from operating activities:		
Cash received from grantors, donors and customers	\$ 523,756	\$ 389,464
Cash paid to suppliers and employees	(461,556)	(433,795)
Cash received from interest and dividends	19,369	18,817
Cash paid for interest	<u>-</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>81,569</u>	<u>(25,514)</u>
Cash flows from investing activities:		
Cash paid for equipment and improvements	(4,348)	-
Cash paid for investments	(72,700)	(117,103)
Cash paid for land	(62,166)	-
Cash received from sale of investments	<u>165,000</u>	<u>35,000</u>
Net cash provided (used) by investing activities	<u>25,786</u>	<u>(82,103)</u>
Cash flows from financing activities:		
Net cash provided (used) by financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash & cash equivalents	107,355	(107,617)
Cash & cash equivalents at beginning of year	<u>170,284</u>	<u>277,901</u>
Cash & cash equivalents at end of year	<u>\$ 277,639</u>	<u>\$ 170,284</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, 2016 and December 31, 2015

	<u>2016 (Audited)</u>	<u>2015 (Reviewed)</u>
Reconciliation of increase (decrease) in net assets to net cash provided (used) by operating activities:		
Increase (decrease) in net assets:	\$ 149,095	\$ (6,825)
Adjustments:		
Depreciation and amortization	725	-
Capitalized inkind donations	-	(40,752)
Unrealized (gains) losses on investments	(61,224)	12,997
Realized (gains) losses on investments	(4,173)	(76)
Changes in assets and liabilities:		
(Increase) decrease in grants receivable	33,531	(4,041)
(Increase) decrease in accounts receivable	(2,575)	3,750
(Increase) decrease in pledges receivable	(1,315)	(2,124)
(Increase) decrease in prepaid expense	(6,883)	-
Increase (decrease) in accounts payable	(17,355)	2,669
Increase (decrease) in deferred revenue	(11,500)	11,500
Increase (decrease) in vacation payable	1,578	2,405
Increase (decrease) in payroll taxes and benefits payable	1,665	(5,017)
Net cash provided (used) by operating activities	<u>\$ 81,569</u>	<u>\$ (25,514)</u>

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, 2016 (Audited) and 2015 (Reviewed)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization, purpose and principal program--

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.

Grant funds are accounted for as unrestricted, temporarily restricted, or permanently restricted as provided in the particular terms of the respective grant contracts. When restrictions on grant funds are met in the same year the funds are awarded, it is The Trust's policy to record the grant funds as unrestricted on the statement of activities and changes in net assets.

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.

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, 2016 (Audited) and 2015 (Reviewed)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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.

B. RECOGNITION OF CONTRIBUTION REVENUE:

The Trust reports gifts of cash and other assets as restricted support if they are received with donor stipulations limiting the use of the donated assets. When a donor 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 are reported in the statement of activities as net assets released from restrictions.

The Trust reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets having explicit restrictions specifying how the assets are to be used, and gifts of cash or other assets to be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, The Trust reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

If the restrictions on a contribution are met in the same year that the contribution is received, it is The Trust's policy to record the contribution as unrestricted on the statement of activities and changes in net assets.

C. PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets include land that was purchased with grant contracts and donor contributions that permanently restrict the land use. As of December 31, 2016 and 2015, the permanently restricted net assets balance was \$5,041,920 and \$4,979,678, respectively.

D. ECONOMIC DEPENDENCY:

For 2016, the funding used to acquire land was primarily provided by the State of Washington Recreation and Conservation Office.

North Olympic Land Trust
A Washington Not For Profit Organization

Notes to Financial Statements

December 31, 2016 (Audited) and 2015 (Reviewed)

E. TEMPORARILY RESTRICTED AND BOARD DESIGNATED NET ASSETS:

Temporarily restricted net assets balance as of December 31, 2016 and 2015, were \$985,588 and \$911,944, respectively, and were comprised of \$730,064 and \$703,093, respectively, of donor contributions that are restricted for use in stewardship activities, \$255,524 and \$207,751, respectively, in funds restricted to use for farmland acquisition, farmland development rights acquisition, and activities and projects directly associated with sustaining agriculture and \$0 and \$1,100, respectively, in donor contributions which can be used for Trust operating expenses excluding salary and personnel costs.

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

Opportunity Fund: Board Designated to provide landowners with assistance during property and easement acquisitions and to aid in acquisitions. The fund had a balance of \$59,333 and \$59,877 as of December 31, 2016 and 2015, respectively.

Stewardship Fund: Board Designated for stewardship activities. The fund had a balance of \$31,000 and \$31,000 as of December 31, 2016 and 2015, respectively.

Operations Fund: Board Designated as an operating reserve. The fund had a balance of \$202,296 and \$192,096 as of December 31, 2016 and 2015, respectively.

F. LEASES:

The Trust conducts its operations from leased facilities. The office lease expense for the years ended December 31, 2016 and 2015 was \$8,435 and \$6,600, respectively. The Trust relocated to a new space during July of 2016 and signed a twenty four (24) month lease agreement. The fair market value of the premises is estimated to be \$2,875 per month. The Trust is required to pay a total of \$840 a month. The difference of \$2,035 a month has been recorded as inkind revenue and expense for 2016. Future minimum rents due under currently executed leases are as follows:

2017	\$	10,080
2018		<u>5,248</u>
Total	\$	<u><u>15,328</u></u>

North Olympic Land Trust
A Washington Not For Profit Organization

Notes to Financial Statements

December 31, 2016 (Audited) and 2015 (Reviewed)

G. INVESTMENTS & FAIR VALUE MEASUREMENTS:

The investments in mutual funds and common stock are accounted for at fair value. As of December 31, 2016 and 2015, the investments had a cost basis of \$758,291 and \$848,922 and a fair value of \$998,623 and \$1,025,602, respectively. Investment income on the statement of activities and changes in net assets is the following:

	<u>2016</u>		<u>2015</u>
Unrealized Gain (Loss)	\$ 61,223	\$	(12,997)
Dividends & Interest	-		17,103
Realized Gain (Loss)	<u>4,173</u>		<u>76</u>
Total	\$ <u>65,396</u>	\$	<u>4,182</u>

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.

North Olympic Land Trust
A Washington Not For Profit Organization

Notes to Financial Statements

December 31, 2016 (Audited) and 2015 (Reviewed)

G. INVESTMENTS & FAIR VALUE MEASUREMENTS (CONTINUED):

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, 2016.

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, 2016:

Assets at Fair Value as of December 31, 2016				
	Level 1	Level 2	Level 3	Total
Mutal Funds	\$ 913,525	\$ -	\$ -	\$ 913,525
Certificates of Deposit	-	85,098	-	85,098
Total Assets at Fair Value:	\$ 913,525	\$ 85,098	\$ -	\$ 998,623

The following table sets forth by level, within the fair value hierarchy, The Trust's assets at fair value as of December 31, 2015:

Assets at Fair Value as of December 31, 2015				
	Level 1	Level 2	Level 3	Total
Mutal Funds	\$ 830,573	\$ -	\$ -	\$ 830,573
Certificates of Deposit	-	195,029	-	195,029
Total Assets at Fair Value:	\$ 830,573	\$ 195,029	\$ -	\$ 1,025,602

North Olympic Land Trust
A Washington Not For Profit Organization

Notes to Financial Statements

December 31, 2016 (Audited) and 2015 (Reviewed)

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 2016 and 2015, respectively, there were bad debts of \$0. As of December 31, 2016, management estimated that all grants receivable were collectible.

Management considers accounts outstanding over 90 days to be past due. No interest is charged on past due receivables. As of December 31, 2016, there were no past due accounts.

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 2015, The Trust received property donations with a fair market value of \$40,752. These donations were recorded as inkind revenue and capitalized as land on the statement of financial position. During 2016 and 2015, The Trust received donated easements with a fair market value of \$183,235 and \$400,000. These donations were recorded as inkind revenue and 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 (Note F) and goods during 2016 and 2015. These donations have been recorded both as inkind revenue and expense in the financial statements.

North Olympic Land Trust
A Washington Not For Profit Organization

Notes to Financial Statements

December 31, 2016 (Audited) and 2015 (Reviewed)

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 2013. 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, 2016, 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 April 17, 2017, 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, 2016.

M. PLEDGES RECEIVABLE:

The Trust received contribution pledges from various donors during 2016 and 2015. The pledges are scheduled to be collected in 2017. No discount to present value has been presented as the amount is immaterial to the financial statements. No allowance for uncollectible pledges has been recorded as management believes all pledges will 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 2016.

North Olympic Land Trust
A Washington Not For Profit Organization

Notes to Financial Statements

December 31, 2016 (Audited) and 2015 (Reviewed)

O. VACATION LIABILITY:

The Trust provides for vacation benefits in accordance with current policy. As of December 31, 2016 and 2015, respectively, the vacation benefit liability was \$10,909 and \$9,331.

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.

Q. DEFERRED REVENUE:

The Trust, in 2015, received a contribution of \$11,500 to fund a stewardship reserve for an anticipated property purchase. However, if the property purchase was not completed, the money would have been returned to the donor. The contribution was recorded, in 2015, as deferred revenue pending purchase and as contribution revenue in 2016 when the purchase was completed.