NORTH OLYMPIC LAND TRUST
A Washington Not For Profit Organization

Financial Statements

For the Years Ended December 31, 2014 and 2013

Aiken & Sanders, Inc PS

CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

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Aiken & Sanders, Inc PS

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CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North Olympic Land Trust
PO Box 2013
Port Angeles, WA 98362

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, 2014 and 2013, 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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Aiken & Sanders

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

Aberdeen, WA

April 10, 2015

North Olympic Land Trust
A Washington Not For Profit Organization

Statement of Financial Position

December 31,		2014		2013
Assets				
Current Assets:				
Cash and Cash Equivalents	$	277,901	$	467,954
Grants Receivable		34,084		24,900
Accounts Receivable		3,750		-
Pledge Receivable		1,676		1,800
Prepaid Expense		-		550
Deposits and Advances		500		500
Total Current Assets		**317,911**		**495,704**
Property & Equipment:				
Land		5,298,524		2,045,648
Total Property & Equipment		**5,298,524**		**2,045,648**
Other Assets:				
Investments		956,419		584,094
Total Other Assets		**956,419**		**584,094**
Total Assets	**$**	**6,572,854**	**$**	**3,125,446**
Liabilities and Net Assets				
Current Liabilities:				
Accounts Payable	$	17,081	$	147
Vacation Payable		6,926		5,917
Payroll Taxes & Benefits Payable		7,924		4,877
Total Current Liabilities		**31,931**		**10,941**
Net Assets:				
Unrestricted-Undesignated		318,844		278,127
Opportunity Fund-Board Designated		68,770		80,763
Stewardship Fund-Board Designated		17,000		5,000
Operations Fund-Board Designated		198,089		192,493
Total Unrestricted		602,703		556,383
Temporarily Restricted		958,542		790,601
Permanently Restricted		4,979,678		1,767,521
Total Net Assets		**6,540,923**		**3,114,505**
Total Liabilities and Net Assets	**$**	**6,572,854**	**$**	**3,125,446**

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

Year Ended December 31,				2014
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Grants	$ 51,495	$ 10,287	$ 3,212,157	$ 3,273,939
Contributions	43,679	258,176	-	301,855
Fundraising-net of $9,691 in Direct Benefits to Donors	55,362	-	-	55,362
Fee for Service & Earned Income	14,010	-	-	14,010
Interest & Dividend Income	1,230	-	-	1,230
Inkind Donations	186,637	-	-	186,637
Other Income	27	-	-	27
Released from Restrictions	155,192	(155,192)	-	-
Total Support and Revenue	**507,632**	**113,271**	**3,212,157**	**3,833,060**
Expenses:				
Program Services	331,370	-	-	331,370
Management and General	117,634	-	-	117,634
Fundraising	27,618	-	-	27,618
Total Expenses	**476,622**	**-**	**-**	**476,622**
Other Revenue & Expenses:				
Investment Income (Loss)	15,310	54,670	-	69,980
Total Other Revenue & Expenses	**15,310**	**54,670**	**-**	**69,980**
Increase (Decrease) in Net Assets	**46,320**	**167,941**	**3,212,157**	**3,426,418**
Net Assets, Beginning of Year	**556,383**	**790,601**	**1,767,521**	**3,114,505**
Net Assets, End of Year	**$ 602,703**	**$ 958,542**	**$ 4,979,678**	**$ 6,540,923**

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

Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Grants	$ 39,205	$ -	$ -	$ 39,205
Contributions	62,554	53,255	-	115,809
Fundraising-net of $6,490 in Direct Benefits to Donors	45,040	-	-	45,040
Interest & Dividend Income	2,249	5,540	-	7,789
Inkind Donations	364,704	-	-	364,704
Other Income	169	-	-	169
Released from Restrictions	265,006	(265,006)	-	-
Total Support and Revenue	**778,927**	**(206,211)**	**-**	**572,716**
Expenses:				
Program Services	416,665	-	-	416,665
Management and General	120,216	-	-	120,216
Fundraising	21,582	-	-	21,582
Total Expenses	**558,463**	**-**	**-**	**558,463**
Other Revenue & Expenses:				
Investment Income (Loss)	22,849	57,496	-	80,345
Total Other Revenue & Expenses	**22,849**	**57,496**	**-**	**80,345**
Increase (Decrease) in Net Assets	**243,313**	**(148,715)**	**-**	**94,598**
Net Assets, Beginning of Year	313,070	939,316	1,767,521	3,019,907
Net Assets, End of Year	**$ 556,383**	**$ 790,601**	**$ 1,767,521**	**$ 3,114,505**

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

North Olympic Land Trust
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Statement of Cash Flows

Year Ended December 31,	2014	2013
Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	$ 3,426,418	$ 94,598
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used) in Operating Activities:		
Capitalized Inkind Donations	(40,719)	(249,786)
Unrealized (Gains) Losses on Investments	(56,663)	(69,578)
Realized (Gains) Losses on Investments	(148)	(10,767)
(Increase) Decrease in Grants Receivable	(9,184)	(19,825)
(Increase) Decrease in Accounts Receivable	(3,750)	825
(Increase) Decrease in Pledges Receivable	124	1,200
(Increase) Decrease in Prepaid Expense	550	50
(Increase) Decrease in Deposits and Advances	-	-
Increase (Decrease) in Accounts Payable	16,934	(1,780)
Increase (Decrease) in Vacation Payable	1,009	(3,338)
Increase (Decrease) in Payroll Taxes & Benefits Payable	3,047	4,500
Net Cash Provided (Used) by Operating Activities	**3,337,618**	**(253,901)**
Cash Flows from Investing Activities:		
Purchase of Investments	(438,755)	(69,420)
Sale of Investments	123,241	30,777
Land Purchase	(3,212,157)	-
Net Cash Provided (Used) by Investing Activities	**(3,527,671)**	**(38,643)**
Cash Flows from Financing Activities:		
Net Cash Provided (Used) by Financing Activities	**-**	**-**
Net Increase (Decrease) in Cash and Cash Equivalents	**(190,053)**	**(292,544)**
Cash at Beginning of Year	467,954	760,498
Cash at End of Year	**$ 277,901**	**$ 467,954**
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Year for Interest	**$ -**	**$ -**

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

North Olympic Land Trust
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Statement of Functional Expenses

Year Ended December 31, 2014

	Program Services	Management & General	Fundraising	Total
Salaries & Wages	$ 88,715	$ 83,874	$ 15,364	$ 187,953
Employee Benefits	2,164	2,050	376	4,590
Payroll Taxes	7,398	6,912	1,252	15,562
Occupancy	6,215	5,818	1,218	13,251
Insurance	6,197	2,455	450	9,102
Supplies	22,277	882	4,007	27,166
Printing & Publications	2,389	36	2,334	4,759
Licenses and Taxes	4,364	-	-	4,364
Professional Services	38,360	6,204	1,140	45,704
Information Technology	375	1,610	70	2,055
Easement Acquisition Expense	140,000	-	-	140,000
Conferences, Meetings, & Events	2,884	1,810	-	4,694
Travel, Mileage, and Meals	4,308	1,318	525	6,151
Dues and Subscriptions	-	3,903	-	3,903
Bank & Credit Card Charges	5	699	882	1,586
Inkind Expense	5,719	63	-	5,782
Total	**$ 331,370**	**$ 117,634**	**$ 27,618**	**$ 476,622**

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

Year Ended December 31, 2013

	Program Services	Management & General	Fundraising	Total
Salaries & Wages	$ 68,414	$ 84,835	$ 13,869	$ 167,118
Employee Benefits	1,850	2,293	375	4,518
Payroll Taxes	5,859	7,165	1,106	14,130
Occupancy	4,911	6,085	996	11,992
Insurance	4,812	1,800	294	6,906
Supplies	6,065	525	1,173	7,763
Printing & Publications	2,558	250	2,339	5,147
Licenses and Taxes	2,185	-	-	2,185
Professional Services	22,355	10,276	-	32,631
Information Technology	687	851	139	1,677
Easement Acquisition Expense	175,716	-	-	175,716
Conferences, Meetings, & Events	3,043	1,560	-	4,603
Travel, Mileage, and Meals	3,442	1,855	426	5,723
Dues & Subscriptions	-	2,050	-	2,050
Bank & Credit Card Charges	380	141	865	1,386
Inkind Expense	114,388	530	-	114,918
Total	**$ 416,665**	**$ 120,216**	**$ 21,582**	**$ 558,463**

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

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. As of December 31, 2014 and 2013, no equipment purchases exceeded this policy.

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.

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, 2014 and 2013, the permanently restricted net assets balance was $4,979,678 and $1,767,521, respectively.

D. ECONOMIC DEPENDENCY:

For 2014 and 2013, the funding used to acquire land and conservation easements was primarily provided by Clallam County and the State of Washington Recreation and Conservation Office.

E. TEMPORARILY RESTRICTED AND BOARD DESIGNATED NET ASSETS:

Temporarily restricted net assets balance as of December 31, 2014 and 2013, were $958,542 and $790,601, respectively, and were comprised of $738,301 and $512,713, respectively, of donor contributions that are restricted for use in stewardship activities, $179,888 and $141,763, respectively, in funds restricted to use for farmland acquisition, farmland development rights acquisition, and activities and projects directly associated with sustaining agriculture and $40,853 and $135,975, respectively, in donor contributions which can be used for Trust operating expenses excluding salary and personnel costs. As of December 31, 2014 and 2013, respectively, temporarily restricted net assets also include an additional $(500) and $150 in opportunity funds.

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 $68,770 and $80,763 as of December 31, 2014 and 2013, respectively.

Stewardship Fund: Board Designated for stewardship activities. The fund had a balance of $17,000 and $5,000 as of December 31, 2014 and 2013, respectively.

Operations Fund: Board Designated as an operating reserve. The fund had a balance of $198,089 and $192,493 as of December 31, 2014 and 2013, respectively.

F. LEASES:

The Trust conducts its operations from leased facilities. The office lease expense for the years ended December 31, 2014 and 2013 was $6,600 and $6,600, respectively. The lease is a month to month lease.

G. INVESTMENTS & FAIR VALUE MEASUREMENTS:

The investments in mutual funds and common stock are accounted for at fair value. As of December 31, 2014 and 2013, the investments had a cost basis of $765,030 and $449,516 and a fair value of $956,419 and $584,094, respectively. Investment income on the statement of activities and changes in net assets is the following:

G. INVESTMENTS & FAIR VALUE MEASUREMENTS (CONTINUED):

		2014		2013
Unrealized Gain (Loss)	$	56,663	$	69,578
Dividends		13,169		-
Realized Gain (Loss)		148		10,767
Total	$	69,980	$	80,345

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.

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, 2014.

G. INVESTMENTS & FAIR VALUE MEASUREMENTS (CONTINUED):

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, 2014:

Assets at Fair Value as of December 31, 2014

	Level 1	Level 2	Level 3	Total
Mutal Funds	$ 756,782	$ -	$ -	$ 756,782
Certificates of Deposit	-	199,637	-	199,637
Total Assets at Fair Value:	$ 756,782	$ 199,637	$ -	$ 956,419

The following table sets forth by level, within the fair value hierarchy, The Trust's assets at fair value as of December 31, 2013:

Assets at Fair Value as of December 31, 2013

	Level 1	Level 2	Level 3	Total
Mutal Funds	$ 496,012	$ -	$ -	$ 496,012
Certificates of Deposit	-	88,082	-	88,082
Total Assets at Fair Value:	$ 496,012	$ 88,082	$ -	$ 584,094

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 2014 and 2013, respectively, there were bad debts of $0. As of December 31, 2014, 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, 2014, 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 2014 and 2013, The Trust received property donations with a fair market value of $40,000 and $249,786, respectively. These donations were recorded as inkind revenue and capitalized as land on the statement of financial position. During 2014, The Trust received a donated easement with a fair market value of $140,000. This donation was 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 and goods during 2014 and 2013. These donations have been recorded both as inkind revenue and expense in the financial records.

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 2011. 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, 2014, 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 10, 2015, 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, 2014.

M. PLEDGES RECEIVABLE:

The Trust received contribution pledges from various donors during 2014 and 2013. The pledges are scheduled to be collected in 2015. 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.

O. VACATION LIABILITY:

The Trust provides for vacation benefits in accordance with current policy. As of December 31, 2014 and 2013, respectively, the vacation benefit liability was $6,926 and $5,917.

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.